

103

# NAFTA AND AMERICAN JOBS

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Y 4.F 76/1:F 87/7

NAFTA and American Jobs, 103-1 Join...

**JOINT HEARING**  
BEFORE THE  
SUBCOMMITTEE ON  
ECONOMIC POLICY, TRADE AND ENVIRONMENT  
AND  
WESTERN HEMISPHERE AFFAIRS  
OF THE  
COMMITTEE ON FOREIGN AFFAIRS  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED THIRD CONGRESS

FIRST SESSION

OCTOBER 21, 1993

Printed for the use of the Committee on Foreign Affairs



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# JOINT OPEN MEETING ON NAFTA AND AMERICAN JOBS

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THURSDAY, OCTOBER 21, 1993

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON FOREIGN AFFAIRS,  
SUBCOMMITTEE ON ECONOMIC POLICY, TRADE AND ENVIRONMENT,  
AND SUBCOMMITTEE ON WESTERN HEMISPHERE AFFAIRS,

*Washington, DC.*

The subcommittees met, pursuant to call, at 10 a.m., in room 2172, Rayburn House Office Building, Hon. Sam Gejdenson (chairman of the Subcommittee on Economic Policy, Trade and Environment) presiding.

Mr. GEJDENSON. Committee will come to order. The recent debate over NAFTA has demonstrated—has been demonstrated the great debate within our own country over this issue. Both sides have promised either incredible doom or tremendous prosperity for the future. While the promises of economic gains are tantalizing, the threat of job loss can be terrifying, especially in a region like ours, which has high unemployment; particularly in pockets where both defense diversification has devastated the economy and areas that have traditionally held higher amounts of unemployment.

What is the truth? Will we gain or lose with NAFTA? In all likelihood, both will occur. Economic gains for some will be accompanied by economic pains for others. In deciding whether this is a bargain we are willing to accept, I am reminded of the doctors' Hippocratic oath which says "First, do no harm." That seems to be a useful guide for deciding the relative merits of any trade agreement, including this one.

In the context of NAFTA, "first, do no harm" means that even though it can be reasonably argued that some industries stand to gain from the passage of NAFTA, there are many others who are likely to lose. With unemployment over 10 percent in some parts of the country, including my own state of Connecticut, our adoption of the Hippocratic oath means that our primary responsibility is to avoid taking any action that can do harm to those already suffering the effects of defense cuts, industry downsizing and the like.

NAFTA had the potential to be a good first step toward a future North American economy based on high living standards, full employment, free and fair trade and a clean environment. By the time the previous administration finished negotiating the accord, it was apparent that NAFTA would not live up to that potential. Serious deficiencies in the agreement mean that Mexico will continue to enjoy a comparative advantage over the United States by retaining

a low wage strategy, coupled with weak environmental, health and safety standards. Unfortunately, the side agreements have improved the agreement only moderately.

As I said, I think NAFTA had the potential to be a good agreement and I hold out hope that an agreement can yet be negotiated that protects American interests without doing harm to our neighbors and at the same time, expands the markets for both countries.

In the meantime, I think that a pledge of "do no harm" means to withhold our support for NAFTA. But, we need to continue the debate and continue the debate in a way that will bring us to a point where both Mexican workers and American workers can benefit from increased trade relations.

[The information may be found in the appendix.]

Mr. GEJDENSON. We are privileged today to have two panels. The first one, Andrew Romegialli, International Association of Machinists and Aerospace Workers; Richard Acton, AFL-CIO; and John Himmelberg, Florida Department of Agriculture. The second panel will be Calman J. Cohen, Emergency Committee for American Trade; Peter Wenstrand, National Corn Growers Association; and Michael Gadbaw, General Electric, National Association of manufacturers, USA-NAFTA. Gentlemen, your entire statements will be placed in the record. Any opening statements? Mr. Fingerhut.

Mr. FINGERHUT. Thank you, Mr. Chairman. First, let me thank you for calling this hearing. It is one of the features of the debate over the North American Free Trade Agreement that claims of job gains and job losses fly with the frequency of the leaves falling from the trees this fall here in Washington. It is, I think, critically important that a committee of this stature in the Congress invite people who are in the front lines on the question of job losses and job involvement in our communities to testify directly to this subject, and to try and clear up some of the direct confusion on this question.

I also want to associate myself with the remarks you made in your opening statement, Mr. Chairman. I have traveled around my district weekend after weekend since being elected to Congress, and it has been extraordinary how many people have approached me with their fears about what will happen to their businesses and their jobs if we were to adopt the North American Free Trade Agreement. It is particularly noteworthy in that I had, because of my relationship with the workers in the district, certainly known of the concerns of the workers in my district. But I heard from so many business people, particularly those who run single factory operations, single site plants who fear that they would have no choice but to lay off their workers and move to Mexico or simply to go out of business because of the competition from the low cost areas. This had really been extraordinary to me.

Finally, Mr. Chairman, I want to also take a moment to welcome my constituent, Dick Acton, who is on this panel. Not only am I proud to represent him in the Congress of the United States, but growing up in the Cleveland area, I have had a chance to watch his leadership on behalf of the working people in northeast Ohio as he served as executive secretary of the AFL-CIO, and before that in his leadership role with the Electrical Workers union. He is someone who we turn to in northeast Ohio, and really through-

out the midwest, for leadership whenever there is a question of workers' rights at issue. And it is certainly my pleasure, Dick, to be able to sit here on this panel today to listen to your testimony and to have you help enlighten this entire Congress about this very important issue. Thank you, Mr. Chairman.

Mr. GEJDENSON. Thank you. Mr. Romegialli.

#### **STATEMENT OF ANDREW ROMEGIALLI, INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS**

Mr. ROMEGIALLI. Good morning, Mr. Chairman and members of the committee. Consider it a great honor and privilege to testify before you on my feelings on the North American Free Trade Agreement, and grateful for this opportunity to tell you about a recent trip that I took to Tijuana, Mexico and the surrounding Maquiladora area. I represent 11,000 workers in the state of Connecticut who work for Pratt & Whitney Aircraft, Hamilton Standard and United Technology. I am not going to go through my whole written testimony that I submitted, but I am going to highlight different parts of it.

We boarded the bus on September 21, 1993, myself and 38 other trade unionists from the United States and Canada. We were told by a general vice president that it was a trip that we were going to long remember, and it is one that is now deeply embedded in my head. We picked up our interpreter in San Diego, Isaac Mankita, and we crossed the Mexican border at 9 a.m. We stopped at Immigrations, our bus driver did, and they got the proper credentials to drive through Mexico.

We started touring the Maquiladora area. And then, we went down into the villages and we had the opportunity to meet with 45 workers and their families to hear their feelings and to live very briefly the life they were living. The first village we went to was with 10,000 people. There was no school in the village, no education system for their children. There is raw sewage and toxic waste running through the village and into the river. I saw first hand sores on little children's backs and stomachs that I have never seen in my life. I could not properly describe the substance that was coming out of them.

We then went to a village of 50,000 people, and we met with the 45 people in that village and their families. They told us that they need jobs. They need jobs very badly because they have nothing down there. But, they also told us with this NAFTA that is being passed, and with more and more American companies going down, their standard of living is being lowered. They have lost 11 cents an hour in this village; from 76 cents down to 67 cents in the last year with more American factories working.

The American factories are exploiting the Mexican children. I witnessed firsthand, in front of the Plasticos factory of Baja, California, 12 and 15-year old children getting off the bus, going into a factory when they should be in school. They have no running water, no electricity, no sewage system. And what these people were telling us is that it is getting worse because what is happening, there are people from mid-Mexico who are moving up and are willing to work for less.



Dramatic events happened to us down in Mexico. We were talking to one worker, who agreed to talk to us in front of the factory on our bus, when all of a sudden, inspectors of the immigration department came up and commandeered our bus. They took our interpreter and the worker who was talking with us away. The bus driver came back in and told us we were being detained. This happened at 2:45 in the afternoon. They moved us to three different locations and held us for over 3 hours, refusing in that period of time to tell us why we were being held, what we did wrong, and refused to let at least six individuals make phone calls to the American Consul in Tijuana so that we could have representation. Because once again, our interpreter was taken away from us.

They systematically harassed us through that 3 hour and 15 minute period. At 5:45, finally after we got moved to our third location, they broke us up into small groups, decided to tell us what they said "we did wrong." My group—they told me and the group I was with that we were in Mexico for 3 days harassing workers in front of this plant.

Under oath, I will tell you we entered the country 9, 10 that morning when we picked up our immigration pass, and we did not harass any workers. We talked to the workers in the villages. We never entered a factory as the Mexican authorities say and the *New York Times*. They said we physically went into a plant and harassed workers. The other group that we were with, they said we were distributing North American union propaganda against NAFTA.

Once again as a member of that delegation, that is a bold face lie that the Mexican authorities told the U.S. people; told the U.S. Congressman who went down there; told our international president. But the most ridiculous thing that they told us, and this was the third group, they said they violated the law by talking to Mexican workers. American workers talking to Mexican workers is a violation of a law.

Then at 5:45, the head official of Immigrations down there came over, told us how fortunate we were that Mexico city intervened and said what we did was not illegal, but was irregular; that we cannot go down there and talk to workers without Immigration's permission, without permission from the people of the plant.

So what freedom do the workers have down there? We know they do not have any labor freedom. We know they do not bargain collectively. We know they do not have any voice. And the NAFTA before us does not adequately address any of the Mexican workers' problems. It does not address the environmental issues strongly enough. The people of Mexico, themselves, asked our group to go down with any Congressman that would go down with them. And do not walk the factories, do not walk around the nice areas right around it, go down in their village and talk to them yourselves. Hear how they have to put their kids on busses because they could not afford a birth certificate to send them to school.

We, in this country, are not afraid to compete. My members I represent will compete with any worker on a level playing field. But, my 12-year-old son is not going to be able to compete with an uneducated population of children his own age that are already in factories. Our wage standards are going to go down. Our living

standards are going to go down. UTC, the company I represent, without NAFTA, has already opened 20 plants in Mexico. Go out to the midwest and see how many electronic factories are turned down, direct impact. See the ONR facility they are presently building in Mexico; not UTC, but one that is being built by the airport. It is going to take away overhaul and repair work that is done in the state of Connecticut.

Thank you, very much, for this opportunity.

[The prepared statement of Mr. Romegialli appears in the appendix.]

Mr. GEJDENSON. Thank you. Mr. Acton.

#### **STATEMENT OF RICHARD ACTON, EXECUTIVE SECRETARY, CLEVELAND AFL-CIO FEDERATION OF LABOR**

Mr. ACTON. Mr. Chairman and members of the committee, it gives me a great deal of pleasure to have an opportunity to make some brief remarks to you today.

We in labor, as well as many of the constituents of Ohio's 19th congressional district, have very strong feelings about the proposed NAFTA agreement. To put it simply, Mr. Chairman, we are totally opposed to the NAFTA agreement as proposed.

Northeastern Ohio is a major industrial area in the so-called Rust Belt. The midwest has been good for working people. We have enjoyed having an opportunity to have a decent job, to own a home and a car, and be able to raise our families. However, I would submit to you that over the past several years, we have seen the good days and the good times evaporate almost before our very eyes.

First, we watched our jobs go overseas, especially to Korea, Japan and Hong Kong. And more recently, we watched as our jobs literally flew away to Mexico. Plants like TRW, Eaton Corporation, Reliance Electric and Invacare have moved thousands of jobs from this area.

I do not want to bore you with a lot of statistics, but the fact is that many of our greater Cleveland manufacturers of small parts have moved jobs to Mexico already. Particularly affected have been our automobile workers, our electrical workers and our machinists.

Several studies have been attempted to determine the potential impact of the passage of NAFTA on the few manufacturing plants that we have left. If the recent Jobs at Risk study conducted by the manufacturing policy project is correct, Ohio is listed as number 3 on the top 10 hit list. The projected job loss is 324,900. It is conservative for us to make an assumption that our area would suffer about 75 percent of that loss.

Mr. Chairman, I believe there are a few things that are very clear to us. The wage of the average Mexican worker is a mere fraction of the average wage of a worker in the greater Cleveland area, whether they are union or nonunion. It is also clear that there are no real worker protections in Mexico. Their so-called unions are actually only pawns of the Mexican Government.

Therefore, we assume that without real unions, the average Mexican wage will remain very much the same as it is now. If this assumption is correct, it would also seem very clear that the average Mexican worker will not be able to afford to purchase our American products. How could they possibly afford to buy an Amer-

ican car? A refrigerator? Or a washing machine? And since many of them do not have electricity, how could they use any type of electrical appliances?

I could go on and on, but I will not. It is our contention, Mr. Chairman, that NAFTA will not create new jobs for northeastern Ohio, and we believe that we will lose many of the jobs we have at the present time. We are very disappointed in the side agreements that were negotiated by the trade team. They do not, I believe, address the real issues and provide for any of the real solutions. In our view, this agreement is not about creating U.S. jobs. It is not about protecting the environment. And it certainly will not do anything to aid the Mexican worker.

On Monday, a member of my union, the International Brotherhood of Electrical Workers, testified at a NAFTA rally held in Cleveland. After 16 years of employment, her employer is moving to Mexico. Her job will end on October the 31st. There goes her chance at the American dream. And if NAFTA passes, she will be joined by thousands of others.

Now, we have been called obstructionists and protectionists. If you want a dirty name, pick it; we have been called that. If that—being an obstructionist is trying to protect the jobs of the 100,000 people that I represent in my area, then I will take that rap.

Thank you for the opportunity to appear here. And I did submit some of the plants that have gone and closed. And I know you are buried with statistics, but we need your help and that is why we are here. Thank you.

[The information may be found in the appendix.]

Mr. GEJDENSON. Thank you, very much. Mr. Himmelberg.

#### **STATEMENT OF JOHN HIMMELBERG, FLORIDA DEPARTMENT OF AGRICULTURE**

Mr. HIMMELBERG. Thank you, Mr. Chairman. I am here today to pinch hit on behalf of the commissioner of Agriculture of the state of Florida. I am also here representing at least 20 major agricultural associations in Florida, which support and have taken a unified position. And that position is that this NAFTA is the wrong NAFTA.

We have stated our concerns many, many times over the last 3 years. In fact, in April of 1991, we were in here testifying against NAFTA at that time. We have met with trade negotiators in the last administration and in this administration. We have testified at field hearings, before the House and the Senate, and before—several times before the U.S. International Trade Commission. Despite many promises, what we see in this NAFTA and in the side agreements will seriously harm our farmers and growers in Florida.

Our growers are free traders, but this is not a free-trade agreement. This NAFTA lacks unreal and terribly unfair competitive advantages for our competitors in Mexico to the direct economic detriment of our growers. The U.S. International Trade Commission, the last administration and this administration all acknowledge that Florida agriculture, and in particular, winter fruits and vegetables, will be one of the big losers in this NAFTA.

Estimates of job losses range from 50,000 to 100,000 jobs. Losses to production are estimated at about one-fifth of Florida's \$6 billion



agriculture economy. The harm to our rural towns, and communities, and related small business that depend on agriculture certainly will be harmed as well.

This is at a time when the National Academy of Sciences was telling us to double and triple our intake of fresh fruits and vegetables. We do not understand how Congress can allow Florida agriculture, which produces 50 percent of our Nation's fruits and vegetables, to be sacrificed in this manner. Not only is such a position contrary to the position Congress took in the 1990 Farm Bill, which was to promote the domestic fruit and vegetable industry, but it challenges fundamental concepts of national food security.

Florida agriculture has asked our negotiators over the last several years for several things. We ask that the phase-in periods for Florida's sensitive commodities be modified to provide for the longest phase-in period to afford our producers with the maximum time for adjustment. During the negotiations, we were told explicitly that Florida's commodities were recognized as being the most sensitive to tariff reductions. And yet, after the negotiations were completed, only 4 percent of winter fruits and vegetables are in the most sensitive category. That needs to be changed.

We ask for a special safeguard provision for all perishable commodities. We ask for a price-based snap back provision during this transition period. We got a quantity-based provision based on quotas, which was designed for nonperishable agricultural commodities and which only cover a few perishable agricultural commodities, and ironically, for those few commodities, are likely to increase the harm to our growers, rather than alleviate it. This provision must be changed.

We ask for the harmonization of applicable laws and regulations or standards between the United States and Mexico in the environmental, labor and food safety areas. The cost of compliance with these standards to our growers is tremendous. As much as 30 percent of all our import costs go into complying with state, regional, local and Federal programs. But, our competitors in Mexico do not have to comply as strictly as our growers do. Mexico has the laws on the books, but, in fact, they do not have the enforcement system setup right now to actually enforce that. So, we consider this situation to be an unfair subsidy that really is not addressed at all in this NAFTA. The side agreement on the environment does not address this issue either.

We ask that the agreement provide for greater assurances that our agriculture continues to be protected from the introduction of harmful pests and diseases that can threaten human plant or animal health. This NAFTA does not adequately address this issue.

We ask that the agreement protect against the practice of transshipment and substitution by one country against another. This NAFTA does not adequately address this issue.

And we ask that Mexico develop complete statistical information on its agricultural sector in areas such as acreage planted, yield, consumption, prices, other trade statistics. This NAFTA does not address this issue.

Many times we have been told that our concerns are responsible and legitimate. But as of this morning, our trade negotiators have not resolved any of these issues. We have no choice but to conclude

that this NAFTA will cause our growers, their workers, related businesses, and our communities serious harm. We do not and cannot believe the words we hear that this NAFTA will not cause our growers such great harm or that if it does, that harm will be softened by safeguard provisions or promises of retraining. We simply do not believe it.

This NAFTA is too unfair in its treatment of fruits and vegetables, citrus, labor, environmental, food safety, pesticide and sanitary issues. We, I think rightly, call this NAFTA "hurricane NAFTA." Mr. Chairman, we can do better than this. Thank you, very much.

Mr. GEJDENSON. Thank you. Mr. Roth.

Mr. ROTH. Thank you, Mr. Chairman. Well, Mr. Himmelberg, let me say this, that I do not know if you are going to see this NAFTA or any other NAFTA because Sam Gejdenson is voting against NAFTA. And if he goes against it, that is going to be enough, I think, to sway it your way.

Mr. HIMMELBERG. That is wonderful.

[Laughter.]

Mr. ROTH. Well, let me ask you this though, in the last 30 years, 80 percent of our growth has been due to exports. Now, if we do not have NAFTA, is that going to hurt our exports? I am concerned about the general accounting. I think you fellows have got too much muscle to allow NAFTA to pass. But, I was just wondering how was this going to affect us if we do not have this NAFTA?

Mr. HIMMELBERG. Let me give you one specific example in fruits and vegetables in Florida. This past winter, in fact, the past two winters, Mexico has had a bad season weatherwise in tomatoes. And it happens back and forth, Florida and Mexico compete directly with each other. This past winter, for the first time in memory, Florida shipped, out of north Florida, into Mexico City, tomatoes without a NAFTA because it is—we are not subsidized. We react to the market and that is what the market was. So, I think without a NAFTA, you are still going to see substantial trade and if there is a deal to be made, there is going to be a deal. And in fact, the market is a better regulator than government regulations and treaties.

Mr. ROTH. I wish I would have brought my letter along. I did—you know, I have never seen anything—this type of controversy in a trade agreement. I do not think you have either, Mr. Chairman. And I get so much mail. I had a letter from one of our farm groups in Wisconsin—I come from Wisconsin—and their argument was for NAFTA. And they said, "You've got to have NAFTA because Mexico can't produce enough food for Mexico and it's going to allow our farmers to ship a lot of products into Mexico." How would you answer that?

Mr. HIMMELBERG. I think they are going to ship a lot of product in there anyway because it is just going to happen. The people are going to—there is—the President's latest, announced a new plan down there. They are going to remove the subsidies on corn and dried beans, and they are going to get out of some of the agriculture that they are in. Actually, they are going to get into the agriculture that we represent, fruits and vegetables, because they



want to ship that here. So, there is going to be a changing of industries and a changing of sourcing, and I believe that will happen.

And I guess one other thing I need to say is our folks in Florida do not get any money from the Federal Government. We are not subsidized. So, we are having a difficult time down there.

Mr. ROTH. Well, I thank you very much. I thank the panel. And, Mr. Chairman, I appreciate you holding this hearing on NAFTA.

Mr. GEJDENSON. Thank you. Let me just ask a couple of quick questions. One of the things that has happened all around is we have seen, obviously, movement. And I think part of the problem we are facing today in the country is that our domestic policy for a long time has ignored displaced workers. And I know in my district, American Standard moved out and moved to Mexico. Lighterlear moved its facility out of Norwich, Connecticut to Mexico.

And at that time under the previous administration, the argument was it was not a loss as a result to moving to another country. We did not even get the trade readjustment assistance for the workers. We had to fight for that. We had good news in one company, a coal company, that left Stonington, Connecticut 5 years ago. It moved back.

But, I think that one of the things that troubles me the most is when you compare this to how the EC included Spain and other southern-tier countries, and I would be interested in knowing if you are familiar with what happened with European labor law. Particularly, with agriculture where the Europeans are more protectionist than the United States or the Mexicans. My understanding is they made a far greater effort at harmonizing safety standards, worker standards, and other issues with Spain and other southern-tier countries before they allowed them to enter the EC. What happens with—we had the big fight a couple of years ago in apples in this country. Was it Allar?

Mr. HIMMELBERG. Yes.

Mr. GEJDENSON. With fish, there is always a question, even with domestic fish, on standards. What have we done for electrical standards, do you know? Or for food standards? And what happened in Europe as far as labor rights and some of the southern-tier countries? And the situation now with Mexico, can Mexicans—we understand, Mr. Romegialli, your problem in Mexico as somebody not from the country. But what happens when Mexican workers try to organize?

Mr. ROMEGIALLI. Mexican workers, Mr. Chairman, who try to organize, if they try their own free trade union, that is one of the groups that we talked to, their leaders are fired from their jobs, they are blackballed, they cannot get another job down there, and there has been cases where some of their leaders have been put in jail.

You are right. The European countries got together. Labor did over there, and the governments, and the companies to put it on a level playing field, so they all fair in the economic growth. We do not have that and we will not have it with Mexico until we take care of our own people who are unemployed in this country.

There have been many jobs, as you know, in the state of Connecticut—and I can take you back 15, 20 years ago, when we had

a sweater factory down in Willamanuk who closed and they went to Mexico. Now, I recently met the woman where I addressed the AFL-CIO conference. She says, "Where is the jobs we were promised?" We said we were going to get clothes back here to make in Connecticut. They are still being made in Mexico. She told me how 5,000 people lost their jobs back then to Mexico. And the standard of living in Mexico was higher then than it is now.

So, we are going to be hurt by this. The European countries did it. We cannot compete with Mexico right now. We cannot be on a level playing field if they do not have the same advantages that we have in this country. They are going to be exploited by the U.S.-Mexican companies down there. And it is not just United States and Mexico, because I can take any one of these plants and show you a U.S., a Japanese, a British flag and a Mexican flag on the same plant.

Mr. GEJDENSON. Mr. Himmelberg.

Mr. HIMMELBERG. Mr. Chairman, Portugal, and Spain, and I believe Greece too, it took roughly—it took a long time. I want to say 20 years. But, it took a long time to incorporate those countries into the European Community. And it was not just in an agriculture fashion, it literally was the whole range of things. So, you actually had social and political systems that actually spent some time figuring out how the systems fit together. And it took a long time; much longer than this time.

As far as food standards are concerned, what you are going to have if this NAFTA passes is you are going to have U.S. food standards and Mexican food standards which are demonstrably different. And it will be a natural tendency, just like wages will be, a natural tendency to fall to the lower standard. And we do not have a great record of inspection on food safety issues. So, we are likely to end up with a Mexican standard for food supply and we are also—what we are deciding here is that we are going, for the first time that I know of, to actually start to source our food supply offshore. And I think that is a serious issue as well.

Mr. GEJDENSON. Mr. Rohrabacher.

Mr. ROHRABACHER. OK. Mr. Chairman, I am happy that you mentioned Allar in association with the discussion of NAFTA because Allar, as we know now, was a total fraud. And the arguments against Allar were just an absolute created paranoia, an unwarranted paranoia among our people that cost businesses and jobs, and had exactly the—

Mr. GEJDENSON. Mr. Rohrabacher.

Mr. ROHRABACHER. Yes, sir.

Mr. GEJDENSON. I think paranoia is generally unwarranted.

Mr. ROHRABACHER. Well, sometimes you can—people can really be after you.

[Laughter.]

Under the pavement, paranoids have enemies.

[Laughter.]

Thank you. So, I am happy that we—that Allar was mentioned because I think that is the same sort of attitude that we see happening with the free trade treaty. And if I can ask some pointed questions, it is my job, I am obviously in favor of NAFTA, but I will try to be congenial, but I would like to ask you some pointed ques-

tions about your testimony. Mr.—excuse me, I cannot pronounce your name.

Mr. ROMEGIALLI. Romegialli.

Mr. ROHRABACHER. Romegialli. Thank you. With a name like Rohrabacher, I will never complain about not being able to pronounce somebody else's name. How long were you in Mexico?

Mr. ROMEGIALLI. We entered—we crossed the border at 9:10—nine, got the paperwork for the bus at 9:10. Now, we were supposed to stay until 4 and leave; but at 2:45, the inspectors of Immigration was called by the U.S. plant manager, came and commandeered our bus, and kept us there until 6 at night, when we left the country.

Mr. ROHRABACHER. And have you been to Mexico before?

Mr. ROMEGIALLI. Yes, I have.

Mr. ROHRABACHER. OK. How many times have you been to Mexico before?

Mr. ROMEGIALLI. It is my second time there. Once, it was on a one-night visit down when I was out at an aerospace conference. We just drove down there because we wanted to go see some of the areas of Tijuana, the far section.

[Laughter.]

Mr. ROHRABACHER. I can—

Mr. ROMEGIALLI. No, that was interesting. It was interesting.

Mr. ROHRABACHER. With all due respect, it sounds like your total stay in Mexico has been less than 2 days. And with all due respect, I grew up in that area. I spent a lot of time in that area, and exactly the area that you are talking around, in upper Baja, California. I spent—I mean, we are probably talking about months of my life living in that area with those people, talking and knowing them. That just happens to be where I come from. And I have exactly the opposite observations about what is going on in there that you have portrayed today. Exactly the opposite.

And I recently spent—for example, a month ago, I spent 4 days in that very area; 4 days total. I went down there on a trip, lived in the small towns—I happen to be a surfer and that is my stomping grounds—and it is exactly the opposite of what you say. The standard of living is rising. The people are for the first time very optimistic and positive about the relationship with the United States.

And all I can say is I do not know who was guiding your tour, but they gave you the wrong impression. They introduced you to the wrong people. The standard of living has appreciably—and, of course, we all have statistics to throw back and forth. The Bureau of Labor Statistics seems to indicate that in terms of overall analysis of Mexican compensation, the standards of living are rising dramatically because of the Salinas reforms. And even by my anecdotal observations, it seems to be.

I think the trade with Mexico will be a very positive boon for them as well as for us. Those people that you saw, if their standard of living goes up, you do not think that they can be consumers of American products?

Mr. ROMEGIALLI. No, I do not, and let me tell you why. The fresh water that is now delivered—and I do not know, because I was not down in your sections, but I would like to take you down to the vil-



lages right below the factories and see the sewage running through the village, see homes without a stitch of furniture, see babies sleeping in hay.

Mr. ROHRABACHER. If those——

Mr. ROMEGIALLI. And I would like you to——

Mr. ROHRABACHER. I have seen those things. And let me note, the thing that—the equipment that is going to build the fresh water aqueducts, the equipment that is going to—the beds, the things that you are talking about, if we eliminate the tariff that prevents our people from selling our products there without having to go through a 10 or 20 percent tariff, will that not improve their life and will that not actually increase the products that are produced in the United States? Isn't our American workers who are going to produce that water transportation system that you are talking about?

Mr. ROMEGIALLI. I heard that argument over and over. I heard how Catapillar is going to benefit to help build the infrastructures down there. But guess what? They are not going to buy the equipment from the United States because Catapillar is going to open a factory there. They already announced it to make their equipment down there.

Mr. ROHRABACHER. Will the gentleman yield?

Mr. GEJDENSON. The gentleman's time has expired. Let Mr. Rohrabacher finish his exchange and then we will get to you.

Mr. ROHRABACHER. In terms of Catapillar, isn't it more likely that Catapillar will make their catapillars here and sell it there if they are permitted to do so without a tariff? As compared to if in order to sell them the catapillars, they have to go through a tariff barrier now? I mean, isn't it more likely that as we see right now, there are companies going down there to escape the tariff barrier? Do you understand the point I am making?

Mr. ROMEGIALLI. Yes. If they are going down now to escape it, there is nothing that is going to stop them. You know, they can go right now and do it. UTC did it out in the midwest.

Mr. ROHRABACHER. But, it is less likely——

Mr. ROMEGIALLI. And we saw in the midwest, 22,000 people in the automotive industry, just at UTC, lose their jobs.

Mr. ROHRABACHER. I agree with your observation. What I am telling you is that——

Mr. ROMEGIALLI. And I will tell you——

Mr. ROHRABACHER. The analysis on the other side is that if the tariff barriers are eliminated, which is what this treaty does, they will be less likely to have to go down there in order to meet that Mexican demand. You are saying that if they want to build the roads, the Catapillar Company is going to now—they go down there and build the catapillars. Well, if they do not have to face the tariff barrier in order to deal in that market, they are less likely to go there.

Mr. ROMEGIALLI. I ask you who is going to build the roads down there? Are we going to build the roads down there?

Mr. ROHRABACHER. Well, if they are going——

Mr. ROMEGIALLI. If you been on the side of those mountains down there, the roads—and we had an engineer with us that said it will take 5 to 7 years to go through them; to go through and do

it. And it is not going to be our people who do it. We are not going to gain anything out of this.

Mr. ROHRABACHER. Well, the point is that as long as it is their people using catapillars and American equipment to build the—

Mr. GEJDENSON. The gentleman's time—

Mr. ROHRABACHER.—the roads, etc. Thank you, very much, Mr. Chairman.

Mr. GEJDENSON. The gentleman's time has expired. And I, just for the record, stipulate, knowing both Mr. Romegialli, Mr. Rohrabacher or that I would stipulate Mr. Rohrabacher has spent more time in the bars in Tijuana.

[Laughter.]

The gentleman from Ohio.

Mr. FINGERHUT. Mr. Acton first of all, thank you for your testimony. All of it was to the point and very direct. You have all testified, and indeed Mr. Rohrabacher's questions go to this point, that, of course, we have already lost some jobs to Mexico, as well as to other low-wage areas of the world. The U.S. Government purports to have a number of programs to ease the transition of people who lose their jobs as a result of trade—unfair trade competition and to retrain or reemploy those individuals.

As we move close to a vote on this agreement, retraining and new programs, seems to be one of the major arguments being made in favor of this agreement. Now, you have lived under these programs. You have tried to assist workers in these programs. Could any of you give me a general thought about the effectiveness of American job training and trade assistance programs to deal with displaced workers, and whether you think this is any reason why we should be less upset about the prospect of further job losses?

Mr. ACTON. I would like to address a part of that. You know, in the Cleveland area, we have a community service division of the state of the AFL-CIO, which the teamsters and the auto workers belong to, long before they had got back into—the national AFL-CIO, incidently, are not affiliated with the local Federation of Labor at this point. But, we have developed this community service division and we have the—programs, the JTPA programs, and we have it all. We have the food stamp program, the health care. Where they lose their job, they lose their health care, we try to put them in a ULA, United Labor Agency, plus a fair—how do you give the man back his dignity after he has lost his job? He is no longer the head of the household, or the woman in the case of the single parent families. You know, if that is what we have to look forward to, we are going to set aside a pot of money for you to alleviate the pain in your displaced workers. That is not a very attractive offer to me, with the experience we have had in the past.

Mr. FINGERHUT. Mr. Himmelberg.

Mr. HIMMELBERG. Mr. Fingerhut, in response from a Florida perspective, agriculture is the second largest industry in the state. It is rural, despite what you see on t.v. There is a substantial amount of rural property in Florida that is farmed. The communities are a couple of thousand, to 10,000, to 20,000. There are no other jobs to be retrained to in those communities. If you were going to retrain to be an electronic technician, we are going to have to move thousands of people around the state of Florida or out of the state

thousands of people around the state of Florida or out of the state of Florida. So the workers in our—the farm workers in our area do not find any comfort in the promises of retraining.

Mr. FINGERHUT. Now, Mr. Himmelberg, let me stay with you for just one moment. Though my district includes all of the heavy industrial areas that Mr. Acton described, it also stretches out to the Pennsylvania border, northeast Ohio, and includes a number of smaller family farms. In your experience as the Secretary of Agriculture in the Department of Agriculture, is a smaller farmer or family type farmer much more likely to be threatened by this agreement than a larger corporate farmer?

Mr. HIMMELBERG. In my opinion, yes. The larger corporate farmer literally can pick up and move. They can diversify. They can actually grow offshore. So a larger farmer, basically, can adjust much more readily than a smaller farmer. And generally speaking, smaller farmers are much more on the margin. They need to make some money every couple of years, or else they really will go under. So the increasing pressure is really felt by the small and marginal farmers.

Mr. FINGERHUT. Thank you, very much. Thank you, Mr. Chairman.

Mr. GEJDENSON. Ms. Meyers.

Ms. MEYERS. Thank you, Mr. Chairman. I would like to direct some questions to Mr. Himmelberg. Why are Florida's products the most vulnerable to import competition?

Mr. HIMMELBERG. Florida grows fruits and vegetables basically from October to June. That is exactly when Mexico grows fruits and vegetables for the U.S. market, in Mexico in June. And in many commodities, it is a sharing. Some months, Mexico ships more in than Florida produces. California is not in the marketplace for winter fruits and vegetables. They are summer. They are growing from June through October. So, we are competing directly in the U.S. marketplace with Mexico. And Mexico, by far, is the largest supplier of fruits and vegetables to the United States.

Ms. MEYERS. What is Mexico's tariff on fruits and vegetables?

Mr. HIMMELBERG. It varies by commodities. There are hundreds of commodities. They have reduced their tariffs from roughly 20 percent—actually, before they had tariffs, they had licenses and permits, so that you could not ship into Mexico when they were in production. That changed over the last couple of years. And there are tariffs now and roughly, they are somewhere—and I do not know exactly—but they are roughly somewhere of 5, 10 percent.

Ms. MEYERS. Do you think that without those tariff barriers, that there is a possibility that American fruits and vegetables will find the market in Mexico?

Mr. HIMMELBERG. Yes.

Ms. MEYERS. So that—

Mr. HIMMELBERG. Some will.

Ms. MEYERS. Some.

Mr. HIMMELBERG. Some from California, pears; Washington will be able to ship apples down there. It will be a bigger market. And those commodity groups do support the Free Trade Agreement because they would like to ship more down there. They have been the



subject of those licenses and permits that I mentioned and have not been able to ship down there. So——

Ms. MEYERS. So some of the fruits and vegetables people would like to see NAFTA enacted and some would not then?

Mr. HIMMELBERG. Yes.

Ms. MEYERS. You said that U.S. food standards and Mexican food standards were remarkably different, and that we will end up probably lowering our food standards, adopting the Mexican standards. I am extremely interested in that and would be very concerned if that were to happen. And I want to know if that is what happened, do you think, in the European community. When they harmonized their standards with Spain and Portugal, did standards go down in some countries? Or did they go up in other countries? What history do we have on that?

Mr. HIMMELBERG. To answer your last question first. I believe that Portugal and Spain had to raise their standards before they were allowed to come into the European Community.

Ms. MEYERS. So, it happened before the agreement——

Mr. HIMMELBERG. Yes.

Ms. MEYERS.—rather than after.

Mr. HIMMELBERG. In fact, there were a number of problem areas that were discussed, and there was an entire—there was a transition period before they were allowed into the Community. With regard to food standards, our food standards and Mexican food standards, I want to clarify what I said because I believe that Mexico has strong environmental laws. I believe they have strong labor laws. They have—the problem is they do not have enough people to enforce those and, in fact, they are not enforced.

Ms. MEYERS. You are saying they do not have the resources to——

Mr. HIMMELBERG. They do not have the resources——

Ms. MEYERS.—set up the enforcement and inspection mechanism?

Mr. HIMMELBERG. That is correct. And, therefore, you have a situation where equal laws are applied unequally. And we have a much higher standard because we enforce the laws. Our government enforces the laws. What we have to save us from Mexican—lower Mexican enforcement are inspections along the border in ports of entry. And there have been a series, five or more, General Accounting Office reports to Congress indicating that the inspections by the Food and Drug Administration are not as good as they should be.

Ms. MEYERS. One final question, Mr. Chairman. Do you see any other food imports being hurt by NAFTA—or food industry being hurt, other than fruits and vegetables?

Mr. HIMMELBERG. There are a number of other groups that are concerned about it, and I really—peanut growers, some wheat growers, some corn growers around the country, some onion growers in Texas. There are a number of groups that are not supporting the agreement.

Ms. MEYERS. I know that wheat and corn generally are supporting it. But are you saying there are some areas of the country where even wheat and corn are not supporting it?

is really not a three-party agreement in agriculture. This is not a North American Free Trade Agreement. This is a Mexican-U.S. agreement in agriculture. There is no Mexican-U.S.-Canada discussion going on in agriculture.

Ms. MEYERS. Thank you, Mr. Chairman.

Mr. GEJDENSON. Is that because it is not an issue, though? I mean, is it that the markets are so different, that the window for Canadian fruits and vegetables are so small that it is not a big issue?

Mr. HIMMELBERG. I think that is right for fruits and vegetables.

Mr. GEJDENSON. Thank you. Mr. Johnston.

Mr. JOHNSTON. Mr. Himmelberg, this is a trick question. You said earlier the market is a better regulator than government. How much are the price supports for sugar that the government imposes?

Mr. HIMMELBERG. It is a trick question because I do not know what the price supports are. I do not know that there is a price support for sugar. There is a sugar loan program, but I do not know that there is a price support.

Mr. JOHNSTON. OK. All I know is every 5 years, the entire sugar industry of my county comes up and wants the price supports to be regulated by government. Like Mr. Rohrabacher, I will make a statement. I was one of only three Floridians who voted against FASTRAC, and one of the reasons is because of what Mr. Himmelberg says about Florida agriculture.

I think Carla Hills was not disingenuous when she glued this together because in a large point, I think she felt that it would be a Republican administration that would shepherd it through Congress. But, I do think that when she wrote it, she considered this to be a perfect world and did not consider a lot of the political ramifications. And the President now has to play with a deck that he has been dealt, and it is a tough one, particularly when you are dealing with labor, agriculture and the environment.

Mr. Himmelberg, just one question. Concerning Florida agriculture, specifically tomatoes, sugar and citrus, is there anything that this agreement can do by which all three of them would be satisfied?

Mr. HIMMELBERG. Well, I hate to be indirect to your answer because I cannot say for sure that, yes, there is one thing or two things that could be done that would satisfy all of Florida agriculture. The unified position from Commission Crawford and the 20 groups that I mentioned earlier is that there has to be something to deal with all of the issues of all of the Florida concerns, or there is no deal. And as I mentioned in the first part of my statement, as of this morning, that has not happened. There have been promises of things to happen, but there has been no deal for all of Florida agriculture.

Mr. JOHNSTON. Let me—if I may, Mr. Chairman, let me get this straight. In other words, the agreement has to satisfy all three before any of them would agree to the agreement. Is that it?

Mr. HIMMELBERG. That has been the unified position of Florida agriculture.

Mr. JOHNSTON. OK. Now when I talked to the representatives from the sugar industry, I got a specific requirement that sugar



Mr. HIMMELBERG. That has been the unified position of Florida agriculture.

Mr. JOHNSTON. OK. Now when I talked to the representatives from the sugar industry, I got a specific requirement that sugar needed, in order to sign off on the agreement. He said that if they met that requirement, sugar would then come under the folds. But what you are saying now is sugar will not come in unless citrus and fruits and vegetables can also be satisfied.

Mr. HIMMELBERG. All I am saying is I am providing the position of the Commission of Agriculture and the statement that was agreed to by 20 groups in Florida agriculture. And that is as much as I can say. If a particular group wants to make a deal and bow out of this, I cannot address that.

Mr. JOHNSTON. When was this agreement signed by the 20 groups?

Mr. HIMMELBERG. This agreement was originally agreed to in September of 1992.

Mr. JOHNSTON. Thank you, Mr. Chairman.

Mr. GEJDENSON. Thank you, Mr. Johnston. Mr. Manzullo.

Mr. MANZULLO. Thank you, Mr. Chairman. You know, whenever we get into these discussions over NAFTA, it appears that there is a battle between those who look upon the world as an atlas, which is flat, and those who look upon the world as a globe, which is concentric and meets on both sides.

One of the problems that I have with both of the gentlemen from Ohio and Florida, is that if you look at the exports, the growth in exports from those two States is astounding. In the manufacturing sector in Ohio from 1987 to 1992, there was a 187.5 percent increase in manufacturing exports from Ohio to Mexico. And with regard to Florida agriculture, Florida crop exports to Mexico in 1987, totalled \$33,000. In 1992, it was \$9,260,000. That is an increase of 28,315.5 percent. These are objective figures provided by the Office of Trade and Economic Analysis, the U.S. Department of Commerce, Bureau of Census and the Massachusetts Institute of Social and Economic Research.

And that is one of the problems with using hysteria. But, Chicken Little will not fall because of people make the following false assertion: to vote against NAFTA will stop the ability of American manufacturers to move to Mexico. That is a lie because they can do that now. And the debate has to come off that subject. The issue is this: Catapillar is going to ship between 3,000 and 5,000 tractors directly from Peoria to Mexico. And the reason that Catapillar has a factory in Mexico now is because of the present laws, Catapillar had to build many of its components in Mexico.

I represent the 16th congressional district of Illinois with 980 factories. TC Industries in Crystal Lake makes the blade tips for Catapillar. And one-half of Illinois' manufacturing exports come from 1 city of 175,000. And Illinois has had an increase in exports to Mexico of 385 percent from 1987 to 1992 as markets have exploded and the tariffs rates have been mutually reduced in anticipation of this trade agreement.

The problem is that the President took 10 months before he ever got behind NAFTA and people like Mr. Romegialli, and with all due deference have stimed up this hysteria. I can understand

And Mr. Himmelberg, with respect to your hysteria-raising comments on food safety, I hasten to remind you that grapes were stopped from Chile not too long ago because they were impure. And I can understand the import surge argument and the deep concern of Florida, but to raise the level of argument that there will be a decrease in food safety is not appropriate. And I think each of us here, you gentlemen, and people who are pro-NAFTA and anti-NAFTA have to simply stick to the facts and leave aside the hysteria.

And let me say once more, to encourage people to write to their Congressman and to tell them that voting against NAFTA will stop the ability of manufacturers to move south, which they can presently do now, is improper and it ends up in a hysterical debate.

Mr. FINGERHUT. Will the gentleman yield? Is the gentleman suggesting that encouraging their members to write to their Congressman is somehow improper?

Mr. MANZULLO. No, of course it is not. I am saying that the facts have to be there. When you have facts like this, showing the tremendous surge in manufacturing exports, and then telling people and running ads saying that to vote against NAFTA will prohibit manufacturers from moving south when they can do that now, is totally irrelevant to NAFTA.

Mr. FINGERHUT. Will the gentleman also suggest to every organization that has an interest in any public issue before the Congress, that they must present in the little postcard that they send to their Congressman all facts and all sides of the issue?

Mr. MANZULLO. No, I am just saying—

Mr. FINGERHUT. I recall receiving an awful lot of communication during other debates we have had—

Mr. MANZULLO. That is correct.

Mr. FINGERHUT.—in this Congress that did not exactly say, "Well, here is the administration's side of the issue, here is the opposing side." I yield.

Mr. MANZULLO. I am only saying that to shift the debate to hysteria is wrong. There are legitimate arguments for and against NAFTA, but a lot of people are concerned about their job. When I talk to them, they say, "Well, we are going to lose our job to Mexico." And then when I sit down and say, look, the average Mexican tariff is 2½ times that of the American tariff. And NAFTA is a big ten-four. All NAFTA will do is over a period of years, reduce the tariffs to zero and zero on each side. And as people come to understand that this is the issue involved here, then they can look at NAFTA in a matter that does not involve any hysteria.

Mr. GEJDENSON. The gentleman's time has expired. Would any of the panel like to answer the gentleman?

Mr. ACTON. I would like to answer.

Mr. GEJDENSON. Mr. Acton.

Mr. ACTON. Maybe even with a question. Incidentally, my son-in-law lives in Peoria, Illinois and is a officer in Catapillar. He has spent 6 years in Hong Kong, several years in Indonesia, and him and I do not agree on this issue either. Your numbers about exports from Ohio, I do not know how those numbers were arrived at. Do we send parts from Ohio to Mexico, and then finish those parts and send them back in an automobile? And do they become—

ports from Ohio, I do not know how those numbers were arrived at. Do we send parts from Ohio to Mexico, and then finish those parts and send them back in an automobile? And do they become—are we trading with ourselves? Or how did that number fit into the Commerce report that is made available to us?

Mr. GEJDENSON. Mr. Manzullo, a short answer, please. Do you want to wait until the next round?

Mr. MANZULLO. No. The short answer is that eighty-three percent of the growth in U.S. exports to Mexico in the last 5 years was for Mexican consumption, not for reexport back to the United States. This statistic comes from the trade representatives office.

Mr. GEJDENSON. That is the short answer. Thank you, Mr. Manzullo.

Mr. GEJDENSON. Mr. Oberstar.

Mr. OBERSTAR. Mr. Chairman, I must say that the debate over NAFTA is not a contest, as was just described by my colleague on the other side as a contest between the flat earth society and the globalists; nor is support for NAFTA a product of virtue-driven reasonableness; or opposition, the product purity of hysteria. These emotion-driven overstatements do not help the debate.

I think people on both sides have very deep concerns. And I think the process that we are engaging in this morning and that the country has been engaging in since the agreement was signed is one of genuinely trying to sort out concerns, fears about jobs. And there is nothing more personal and nothing more important than we can do in the Congress than to try to sort those matters out, as to where are the winners, where are the losers, how can we mitigate the losses, how can we take advantage of the gains.

I supported the Canada-U.S. Free Trade Agreement because I thought it was an opportunity for both sides; an opportunity that I thought was tilted toward the United States, but in a contest in which both countries were operating on a fairly even plain of economic opportunity. Canada includes in the cost of its product pretty much the cost of government. It has a social support system comparable to and, in some cases, better than that which we enjoy in the United States. In fact, Canada has lost about 500,000 jobs as a result of the Canada-U.S. agreement, and we have gained about a quarter-of-a-million jobs.

I am not so sure that the equation would be the same with Mexico. I do not fear a flight of jobs from the United States to Mexico, but what I do anticipate is a downward pressure on wages and benefits and working conditions in the United States from employers who will use the threat of lower wages, nonexistent benefits in the Mexican scene to drive down wages and benefits in labor contract negotiations in the United States.

One of the witness—or IAM witness referenced the aircraft maintenance facility being built at Tijuana. It is intended to be a very high volume, heavy maintenance facility to attract aircraft—heavy aircraft maintenance, that is dechecks, the most complicated maintenance on major aircraft, principally from the U.S. market, although they would anticipate aircraft from other airlines than U.S. carriers. The FAA must certify foreign repair stations before U.S. carriers can perform—or can have heavy maintenance performed at



those facilities. Only two such heavy maintenance facilities have been certified in the last 4 years.

If NAFTA is approved, I see no way in which the FAA could withhold a certificate of maintenance performance from that facility, as the pressure would be so great that in this Free Trade Agreement in our two countries, FAA would be under great pressure to simply approve it on whatever conditions.

I think there are many, many concerns that we have and I think that the recitation by the witness from IAM, Mr. Romegialli, is very instructive on the conditions in Mexico. It is not the President's—and I would not lay it at the President's fault, as I say to my colleague that there has not been a ground swell of support. The President has been very forthright from the very beginning. I think industry—about his support for NAFTA, and I disagree with him on that point. But, I think industry has to do its job if they want to sell this issue to the American public. Those industries and businesses that expect to gain from it ought to come forward and say so.

I held a meeting on NAFTA in my district earlier this year and invited every single business and enterprise in my district that I knew of that was supporting or expected to benefit from NAFTA to come and tell us why, and not a single one showed up. If they are not for it, why should we expect workers who may lose jobs as a result of it, or may have their wages and benefits downgraded, to support it. I think the case has to be made and it has not been made yet.

Mr. GEJDENSON. Thank you. Mr. Bereuter.

Mr. BEREUTER. Thank you, Mr. Chairman. I want to commend you for scheduling this hearing and I thank the witnesses and this subsequent panel for presenting us the views of your organizations. I am in the process of reading through your testimony now, since I arrived late, but I do thank you. Mr. Chairman, I have no questions at this time.

Mr. GEJDENSON. Thank you, Mr. Bereuter. Ms. Cantwell.

[No response.]

Mr. GEJDENSON. Mr. Engel.

Mr. ENGEL. Thank you, Mr. Chairman. A lot of what I was going to say was just said by my colleague, Mr. Oberstar. I am wondering if any of the gentlemen could comment on the loss of jobs in Canada. I have been reading a number of instances where initially some of the public in Canada thought that the Free Trade Agreement was going to be boon, and then found out quite the opposite. It seems to me that even the NAFTA supporters concede that initially there will be some job loss.

And while it is quite true that people—companies are free right now to move south of the border, the fact of the matter is that NAFTA will give them added incentive to do so. And with the loss of jobs, certainly in the New York City metropolitan area over the past decade, manufacturing jobs leaving the area, I really am very, very skeptical of the fact that when people say, well, ultimately, it will be a job creator, I am yet to be convinced.

I am wondering if you could share some of the experience, if you are aware of the Canadian experience. Because, I really, really do believe that if NAFTA is passed, we will lose many, many, many

jobs; not to say anything about all the environmental and other concerns. To me, the major reason why I oppose NAFTA is because of job loss. And I think with the way the economy has been in the past years, I do not think we can afford any more job loss in this country.

Mr. ACTON. If I might. I have testified, Congressman Oberstar, in a Federal building in Ohio in the 1970's at a committee you had there over the early loss of jobs. We were losing jobs then to Japan and Korea and Mexico—or Japan and Korea, as I have written in my testimony. And my personal concern at that time was in the construction field with a local union that I was a business manager at that time, the anxiety that hits this family when they lose that job. And it is widespread now with all this discussion about the jobs flighting to Mexico. Those families, the additional burden is put on the local communities where the father is out of a job. He may get a job. In our case, in the electrical industry, we can travel across the country. We can go to other areas.

I had to deal with a wife who the husband is working in Pittsburgh now from Cleveland, and he is a good man. He has not fooled around or philandered any. He is hanging around the motel saloon, and the next thing you know, he is getting a few pops; and the next thing you know, he is involved with another woman. And then the social problems that develop out of a man losing his job and his dignity just gets bigger and bigger. And that is what I had testified before in your committee, the anxiety that the people that I deal with.

And my testimony to you is pretty general because I deal, as I stated earlier, with these community service divisions now; with the federation of unions where I am dealing with 200 unions and over 100,000 people. And it is real. The fact that people are scared as hell that they are going to lose their jobs, and they do not see any—you know, you want to put \$100 million fund to show us how to retrain for something else. For what? That is what they ask me. What am I going to retrain for?

Mr. ROMEGIALLI. If I may, Mr. Chairman. On the response about the Canadian workers, I cannot give you facts and figures off the top of my head. But, I did spend 2 weeks in Canada last year talking to the Canadian machinists union people, because we are an international union. We do represent workers in the Panama Canal, as well as Canada. Unfortunately, even with NAFTA with the so-called labor movement they have there, which is government controlled, even though we are an international union, we cannot go into Mexico. But, we can in Canada.

The Canadian people warned us, their delegation at our grand lodge convention, about NAFTA and said they had high hopes of an agreement with Canada and the United States creating jobs. And they said that we should ask everyone of our representatives a question that they did not ask at the time. If this agreement is so good for the workers, have business come down before Congress with labor and tell them exactly what jobs are going to be created. What are people going to be retrained for in Canada? What are people retrained for in the United States? Business does not have the answer yet. And I do not think Congress, and the U.S. Senate and the President of the United States has an answer of what

might 10,000 who got laid off in the past 4 years are going to be retrained for.

Just like the Canadian machinist union that lost over 30,000 members once this agreement was entered into, they are not retrained for anything. They went through retraining, but there was not any jobs created for them. The trade agreement did not make their life better. I want to know what the trade agreement—how is it going to make our lives better, what our people are going to be retrained for, what type of jobs. And have companies, like UTC, like GE, come right down to the table with Congress, and the Senate and the President and pledge that we are going to have more jobs here for our people.

Mr. GEJDENSON. Thank you. Mr. Brown.

Mr. BROWN. Thank you, Mr. Chairman. I want to thank the three of you for being here and for your good, strong opposition to the Free Trade Agreement. It is clear that this issue is on the ropes. The votes clearly are not there for the agreement in a large part because of the grass roots efforts of so many of you. It is sort of the elite in this country, large corporations, newspaper publishers, economists on both coasts, that are simply out of touch with people in this country and this issue. It is real clear, I think to all of us and Congress.

One question. The Wall Street Journal had a poll that 55 percent of large—of CEOs at large American corporations said if NAFTA were to pass, that they would plan to move production south, some amount of their production south. In my district in Lorain, in which Mr. Acton is familiar with, there is a Thunderbird plant—a Ford plant that builds Thunderbirds. There is also one in Matamoros in Mexico, which also builds Thunderbirds. And they probably would plan to begin to move some of that production south; that sort of thing. Fifty-five percent said that—of executives of the largest American corporations said they planned to move some production south.

In that same poll, 25 percent said they would use the threat of moving south to push down wages, to extract wage concessions, to extract benefit give backs, to begin to take away health care benefits, that sort of thing.

Let me ask all of you—each of you, if you have seen as sort of the warm-up to NAFTA, you are seeing employers in your jurisdictions in your areas, if you are seeing employers use the threat of NAFTA, the threat of moving to Mexico to kind of ratchet down wages, to take away benefits. Are you hearing that already?

Mr. ROMEGIALLI. Yes. I would like to respond to it, and I would like to respond to it in more than one way. We need a manufacturing policy in the United States. My membership just had to—and I had to do something very distasteful—entering into what is known as decision, in effect bargaining with United Technologies because they threatened to shutdown all operations in the state of Connecticut. And this is just a prelude to NAFTA because, as I said, they can go down to the southern part of the United States and get the work done cheaper than in the state of Connecticut. And, yes, it will take them 3 or 4 years to train, but they were willing to take the loss up front to train for less wages later on.



They have already hit us with down south. They do not have the same benefits as we had to negotiate with you. We do not have a full insurance policy down south. We have people in Georgia paying 18, 20, 24 dollars a week for health care, which we never had to in Connecticut because our people were very valuable and still are. They are already—as I said before, United Technologies Electronic Division, for their harnesses, for their cars, they are already in Mexico without a Free Trade Agreement.

We were just given notification that they are going to close down the environmental control system plant in Connecticut and move it to Arizona. And we are going to lose more jobs because they said the labor market is cheaper there. Well, Arizona borders Mexico, and we do not believe it is going to stay in Arizona very long. We believe it is going to move to Mexico, too. And we also got notice for the electronic plant, building three. That has been in the state of Connecticut since the inception of Hamilton Standard. UTC already has electronic divisions in Mexico. They told us they are going to farm it all out. They do not know where yet, but they say we already have electronics plants throughout the world.

So, we went into concession bargaining. And our members voted to survive by accepting the concessions we had to. And we are going to be pitted against the Mexican worker. Without any jobs in this country, all of the workers were offered retraining. They got retraining assistance. Most of them are in training now. But training for what?

Mr. ACTON. The only part of the bargaining that I get into is when—as a federation, is when there is a serious block and I get—where there is threat of a boycott or something. But for most of the people that I have talked to that are in negotiations, it is no question that they are into concession bargaining because of the North American Free Trade Agreement, with threats of health care cuts. So, it is—I believe it is also an elitist against the working people. It is that kind of a clash.

And multinational corporations that have been going to Japan, and Korea and Asia, their interest is in the global market, of course, and that would effect the local people. And I think they salute the—the bottom line, they do not salute any flag. I think that we have that kind of a battle in this NAFTA agreement between working men and women. And when you ask the question, would I go—would they go to Mexico for—they can go there now and they will go there. And we need it.

We are saying, we are not—and I have been asked this at—you know, along with my job as a federation labor president, I also belong to the Growth Association on the executive board, the Cleveland Convention Bureau, and I am working shoulder to shoulder with the business community. And I look at it as a clash between the elitist and the people I represent. I have a voice in those negotiations—not a hell of a lot of, interest basically as a labor leader. I am there and I expect to stay there.

Mr. GEJDENSON. Thank you. We thank the panel for their testimony and we will—any further questions will be submitted to you in writing in the next 5 days. Thank you all very much.

Mr. ACTON. Thank you.

Mr. HIMMELBERG. Thank you.

Mr. GEJDENSON. The next panel is Calman J. Cohen, Emergency Committee for American Trade; Peter Wenstrand, National Corn Growers Association; Michael Gadbaw, General Electric, National Association of Manufacturers, USA-NAFTA.

Why don't we start with Mr. Cohen, and nice to see you before us again, sir.

**STATEMENT OF CALMAN J. COHEN, EMERGENCY COMMITTEE  
FOR AMERICAN TRADE**

Mr. COHEN. Thank you, Mr. Chairman. I am pleased to be here to express the strong support of the Emergency Committee for American Trade for NAFTA.

E.C.A.T. is an organization of the leaders of approximately 60 large U.S. firms with extensive overseas business operations. The annual worldwide sales of the members of ECAT are over \$1 trillion. They employ nearly 5 million persons.

Rather than just recite facts and figures about U.S. trade with Mexico, I would also like to present information from two of our member companies in the hope that such specific information would be of help to members of the subcommittee.

Before doing so, I would like to share a comment of Paul Krugman, an MIT economist with the committee, since it does give a sense of perspective to the NAFTA debate. The professor said, "If you think about the fact that what we're essentially doing is talking about a 15-year phase-in of the elimination of a 4 percent tariff on manufactured imports from a country with a gross domestic product 5 percent in size of the United States, it is hard to understand what all the fuss is about."

We understand, Mr. Chairman, what the fuss is all about. There will be some hardship with NAFTA. A worker whose job or business person whose business might be at risk would understandably disagree with Professor Krugman. We share, as a group of companies, the concerns and would urge the availability of adequate public and private support for the productive re-employment of any whose jobs might be put at risk by reason of NAFTA.

Nevertheless, the Krugman quote is pertinent since it does give an order of magnitude to the debate. Somewhat over one-half of Mexico's exports to the United States are now duty-free at about a 4 percent applied tariff. In terms of exporting to the U.S. market from Mexico, these tariffs in most cases are not significant impediments. Their phased elimination over the years should provide adequate time for any domestic adjustment.

In terms of tariff reductions and their eventual elimination, the U.S. stands to gain a very substantial net economic benefit, since pursuant to NAFTA, Mexico will be phasing out tariffs against our products that average about 10 percent—tariffs about 2½ times higher than the U.S. level.

In the main, both the tariff and nontariff measures that are a concern are to either be eliminated or liberalized under provisions of NAFTA. Among them are matters as restrictive investment performance requirements that often require efforts to the United States—or exports to the United States as a condition in investing in Mexico. Indeed, that explains much investment that has already occurred in Mexico by U.S. companies. Absent such restrictions,



U.S. business under the NAFTA will be able to invest in Mexico, predominantly to serve the Mexican market if they so choose.

We only see economic and political disadvantage flowing from a rejection of NAFTA by the Congress, both to the U.S. hemispheric interests and to the U.S. economic and political relationships elsewhere in the world. Among other considerations, the international credibility of the United States could well be damaged.

Mr. Chairman, I would like now to present some information about two ECAT companies and how they will conduct their business operations pursuant to NAFTA. From our understanding of other ECAT companies, we believe that what the two companies, Gillette and Proctor & Gamble, expect to do is typical of what other ECAT companies also would do.

Gillette is a global consumer products firm headquartered in Boston. Gillette has no plans to ship manufacturing from the United States to Mexico. In fact, NAFTA will stabilize and probably increase jobs at Gillette in the United States. For example, Gillette this year will export about \$4 million of its highly successful Sensor shaving system from its South Boston facility to Mexico. The elimination of tariffs on products like Sensor will have a positive effect on Gillette, which will be able to sell more Sensor systems by lowering the price of this product in Mexico or by increasing advertising. These exports will stabilize and support existing jobs in Boston. The situation will be duplicated when Gillette introduces other products to Mexico.

Gillette expects the passage of NAFTA to have a favorable impact on the Mexican economy, thus improving results for its business operations in Mexico. This helps to support operations and jobs in the United States.

We have hired some testimony suggesting that Mexico is an economic adversary. To the contrary, we see this as a win-win situation with Mexico. It is going to be one in the case of Gillette, where its employees and shareholders benefit, while Mexican consumers and the regional economy will prosper.

The other ECAT company I would like to cite is Proctor & Gamble. Mexico is now P & G's largest market in the world outside the United States. Some of the products currently exported to Mexico, and they do buy our products, include potato chips, Tide and Cheer laundry detergents, Ivory and Zest soaps, Comet cleansers, Folgers coffee, Sure and Secret deodorants, Downy fabric softener and other products.

Proctor & Gamble supports NAFTA because it will enable P & G to expand its business and most importantly, its exports to Mexico. Since that country opened its market in 1986, P & G exports of goods and services have grown from almost nothing to over \$100 million. Exports should approach \$200 million in the next 5 to 10 years. Elimination of Mexican duties will allow P & G to supply Mexico a broader range of products. The result would mean more than double the 1,500 U.S. jobs currently supplying P & G business in Mexico to approximately 3,500 jobs.

I can go on with some other examples. Let me conclude, Mr. Chairman, by saying we support the prompt passage of NAFTA. We believe that NAFTA will have a net effect which is positive on jobs and on the U.S. economy. NAFTA can be critically important

to the global competitiveness of North America in the 21st century. It will enable the region to become more competitive, not only with the European Community, but also with the powerful and emerging Asian economic region.

Lastly, without the NAFTA, we believe that many of the issues of controversy will be worsened, many of the issues that we have just been discussing. It is hard, for example, to contemplate how the environment or working standards would be improved with defeat of the NAFTA. It is also difficult to conceive of how U.S. jobs and the U.S. economy would benefit from having poor neighbors, rather than richer neighbors. Thank you, Mr. Chairman.

[The prepared statement of Mr. Cohen appears in the appendix.]  
Mr. GEJDENSON. Thank you. Mr. Wenstrand.

#### STATEMENT OF PETER WENSTRAND, NATIONAL CORN GROWERS ASSOCIATION

Mr. WENSTRAND. Mr. Chairman and members of the committee, I am Pete Wenstrand, a farmer from Essex, Iowa and president of the National Corn Growers Association. I am also a spokesman for Ag for NAFTA, a coalition of more than 150 farm organizations, businesses and related groups, a list of which I have attached for the record. Ag for NAFTA represents the vast majority of American farmers, and I appreciated being asked to testify before the committee today.

The North American Free Trade Agreement comes at a critical time for American agriculture. We are fighting for our export markets which, in many cases, including corn, have dropped significantly in recent years. The European Community continues to distort world trading by encouraging over production of commodities and dumping those surpluses on world markets, not only robbing us of our customers, but lowering prices as well. In addition, trade is restricted by the European Community member states, Asian nations and even Mexico through tariff and nontariff barriers. The former Soviet Union has gone from being one of our best cash customers, to one that is barely hanging on. We are seeing our exports continually to spiral down and we must stop that trend. We feel that NAFTA is a rallying point for mounting a new export offensive.

We do think that it is important to acknowledge that many Americans are sincerely nervous about the ramifications of this agreement and certainly have the right to raise the questions. But, likewise, we firmly believe that the accord is sound. Coupled with the side agreements, NAFTA is truly historic and a valuable trade deal.

As many of you know, Mexico has gone from being a closed economy as late as 1986, to one that is opening further and further. With this agreement, it will engage in totally free trade with Canada and the United States in 15 years. The United States went from a \$5.7 billion trade deficit in the mid-1980's, to a current \$5.7 billion trade surplus. U.S. agriculture sales to Mexico have grown from \$1.4 billion in the middle of the 1980's, to about \$4 billion in 1992. Mexico's population, currently at 90 million people, is growing about 2 percent a year, and these people would like to have a better and more stable food supply, and we are poised to answer

the call. The USDA projects that at the end of the 15-year transition, agriculture sales to Mexico will increase by \$2 billion to \$5 billion. We simply cannot afford to turn our back on this potential market.

We desperately need jobs in rural America. We think that NAFTA will help us achieve that goal. Mexico is a tremendous market for value-added goods. Increased demand for value-added goods means constructions jobs to build processing plants, jobs to process our raw products, jobs to export these value-added products and higher prices for farmers' commodities. The passage of NAFTA will protect these jobs already here as a result of trade with Mexico, and will create new jobs in rural America.

From the prospective of the U.S. corn grower, Mexico has been a steady market until recent years. In 1989-1990, Mexico did have a poor crop and imported 4.6 million metric tons. Subsequently, Mexico increased its corn subsidies, resulting in increased production that began a downward trend in corn imports. Last year, we exported just under 1 million tons. As a result, Mexico, frequently the number 2 or 3 export customer of the United States for U.S. corn, fell out of the top 10. Given current uncertainties of our export market, the United States needs a positive turnaround with its southern neighbor.

Mexico limited our shipments of corn through an arbitrary import licensing system. The removal of this barrier was absolutely necessary for us to deem the NAFTA negotiations a success. The pact before us today does eliminate the licensing program and replaces it with a tariff-rate quota. The initial annual level of duty-free imports would be 2.5 million tons with a compounded growth rate of 3 percent for 15 years and, thereafter, eliminated. While one would always hope for immediate free trade when it is a benefit, the level negotiated is certainly a substantial improvement over the recent trend. The 2.5 million ton level would place Mexico back among the top five importers of U.S. corn.

The good news for U.S. corn producers does not end with more sales of our raw product. Meat exports will also increase dramatically under NAFTA. In the beef industry alone, industry revenues are estimated to increase by \$200 million to \$400 million annually. Poultry and pork industries have seen their exports to Mexico rise over the last several years, and those trends will continue and accelerate with NAFTA. Simply put, we need the Mexican market for value-added farm products.

Creation of the world's largest and richest free trade zone, which of course includes Canada, is, in and of itself, good policy. Also, unfortunately, we need NAFTA as an insurance against the failure of the Uruguay Round of the GATT. As all of you are aware, GATT continues to be delayed, allowing the European Community to continue to dump agriculture products on the world market and lower our prices here. While I hope the Europeans will begin to negotiate in good faith, I am not willing to bet on that occurrence. Again, we need NAFTA. We should aggressively move forward in bilateral discussions to build an atmosphere of free trade here in our own hemisphere. The United States is among the most competitive producers in agriculture products in the world and trade pacts such as NAFTA will help level that playing field.



Of course, there are many other reasons one should support NAFTA, involving foreign policy, immigration and environmental practices. However, I do feel strongly that this agreement is something we need to help turn around our farm exports, spur on the Uruguay Round, increase prices for our farmers and, again, create jobs for our constituents in rural America.

Early this month, President Clinton said, "It's a good deal and we ought to take it." I wholeheartedly agree. Thank you.

[The prepared statement of Mr. Wenstrand appears in the appendix.]

#### **STATEMENT OF MICHAEL GADBAW, GENERAL ELECTRIC, NATIONAL ASSOCIATION OF MANUFACTURERS, USA-NAFTA**

Mr. GADBAW. Thank you, Mr. Chairman. I would like to commend you for organizing these hearings and I thank you for the opportunity to participate.

In doing so, I am representing my company, General Electric, as well as the National Association of Manufacturers and the USA-NAFTA. All three are strong supporters of the North American Free Trade Agreement. All believe that the agreement offers enormous potential for American companies. And all three believe that the rejection of NAFTA would seriously harm the commerce of the United States, possibly for years to come.

My statement includes two attachments. The first is a policy statement in support of NAFTA issued a year ago by the NAM. That statement was reaffirmed earlier this month. The second attachment is a longer, more detailed explanation of private sector support for NAFTA, prepared by USA-NAFTA. General Electric is a member of both organizations.

At this stage in the proceedings, after so much has been said, after so many views have been expressed, I would like to limit my testimony to a brief discussion of four areas.

Yesterday, 15 General Electric employees from 7 of our businesses came to Washington with samples of their products. They did this to demonstrate how important Mexico and the Mexican market are to General Electric and to the jobs of GE workers. These people are not sophisticated in international trade agreements, but they know how important exports are for them and for their families. They know how important a market Mexico is for General Electric.

These are employees from our gas turbine plant in Greenville, South Carolina, that will make the gas turbines for the \$240 million Samalayuca power station in Mexico. They are from Erie, Pennsylvania, where they made some of the 100 locomotives that we have produced and shipped to Mexico. And some of them are from our electrical distribution and control business in your district, Mr. Chairman, that makes control panels and other products we sell to Mexico.

I wish you could hear them tell their stories. They speak more eloquently than I can about their products and businesses. I can tell you, though, that in 1993, GE sales and orders in Mexico will be worth as much as \$1.5 billion. We are looking at another \$7.5 billion in potential sales over the next 10 years. These sales could support over 10,000 jobs for General Electric and its suppliers. We

ferverly believe that these jobs depend on the success of this agreement.

My second point is that this is an unbalance agreement. As the *New York Times* reported the day the deal was struck, August 12, 1992, ". . . the terms of the trade agreement lopsidedly favor the United States." The Times was right. That is not because the Mexicans are bad negotiators, quite the contrary. It is a lopsided agreement because, to a very large extent, the agreement represents not a balanced give and take, but the formal codification of Mexico's economic liberalization.

That process has been going on since 1986, when Mexico joined the GATT, and it has already had clear benefits for both Mexico and the United States, giving Mexico higher growth rates than she would have otherwise achieved, and it has inspired high rates of capital inflows into Mexico.

On the U.S. side, Mexican liberalization has had a dramatic effect on U.S. exports. America exported \$12.4 to Mexico in 1986; by 1992, that figure had grown to \$40.6 billion. In the same period, the U.S. exchanged a \$4.9 billion deficit in trade with Mexico for nearly \$5.4 billion in surplus. Today, Mexico is America's second largest customer for U.S. manufactured goods, after Canada, but ahead of Japan.

The benefits of this process to individual companies are widespread and profound. At GE, exports to Mexico have grown from \$325 million in 1988, to as much as \$1 billion in 1992. More examples of benefits are recorded in the USA-NAFTA statement below.

Third, the U.S. market is already open. As others have pointed out, Mexican tariffs are much higher than ours and Mexico has a broad array of protectionist measures that it has agreed to give up in accordance with the NAFTA. The frequently mentioned 4 percent average tariff on the U.S. side, versus 10 percent on the Mexican side, is actually quite misleading. This is because that 10 percent only reflects the duties collected on products that we are in fact now exporting to Mexico. It does not show the high walls, often 20 percent or higher, that are too high to jump, but that Mexico has agreed to eliminate under NAFTA.

The assumption behind many of the arguments against NAFTA is that NAFTA means abandoning a wall of American protection that keeps out the products of cheap labor, Mexican or otherwise. The truth is there is no such wall. NAFTA will mean the final disestablishment of Mexico's protectionist policies, and that can only benefit American firms and American workers.

Next, NAFTA will create jobs. No aspect of NAFTA is more hotly debated than its effect on jobs. You are familiar with the evidence of the economic studies, most of which have concluded that NAFTA will increase overall employment in the United States. This impression is also confirmed by our talks with scores of companies. What we hear is this. Those who wanted to go to Mexico for lower wages have gone. But, NAFTA will address the fact that a lot of firms set up facilities in Mexico for another reason. The Mexican Government would only let them sell in Mexico products that they produced in Mexico. If NAFTA fails, additional U.S. production may go to Mexico in response to that same, all too common requirement. If NAFTA passes, however, more U.S. firms will be able to

make products here in the United States, with U.S. workers, for sale in Mexico.

In short, NAFTA will create jobs and the defeat of NAFTA will lose jobs.

Nafta has become the world's litmus tests for America. As the members of this committee know better than most, the vote on NAFTA will do more than decide the technical, legal conditions of trade in North America. Every country in the world and very group of countries will use Congress' decision on NAFTA as a criterion for its own assessment of the United States and of relations with the United States.

We are convinced, for example, that if NAFTA fails, so will the Uruguay Round. It is hard to imagine foreign leaders taking political risk for the sake of the Uruguay Round against the background of Congress' rejection of, essentially, a "sweetheart" deal for the United States.

The effect of a NAFTA rejection on U.S. relations with Latin America is likely to be even more profound. There, the issue has gone beyond the calculus of trade negotiations. Rather, it has become the symbol for the question: can the United States be trusted to deal fairly with Latin America. Logically, we might say it is wrong for them to view it that way. But view it that way they do, and we must accept that reality. If NAFTA is rejected, American influence in this hemisphere will be dramatically diminished.

Finally, Mr. Chairman, I would like to offer a suggestion in connection with the budget dilemma that is currently bedeviling NAFTA both technically and politically. The Budget Agreement requires that legislation that has the effect of reducing the revenue of the Treasury incorporate offset provisions. Neither GE nor NAM has any quarrel with the spirit of this provision. Moreover, we have considerable sympathy for the administration's efforts to comply with it.

As a general principle, however, I would like to note for the committee that NAM some time ago took the position that the funds required to pay NAFTA-related expenses should come from general revenue.

With respect to the problem at hand, the question is not really, where do we find the money? It is rather, how do we analyze the revenue effects of NAFTA? Our understanding is that the analysis used in connection with the legal requirement cited above is a static analysis. That is, it does not include estimates of U.S. growth that are likely to be associated with this agreement. Yet, CBO has done such estimates, and they suggested that NAFTA would, as it stands, generate revenue, not lose it.

Congress is using the wrong measure, and the problem could be solved simply by moving to a more accurate and available measure. NAM's suggestion is that Congress direct the CBO to use a dynamic model, one that takes growth into account when assessing the impact of the trade agreement. The proposal also has significance for the GATT—excuse me, this proposal has significance for NAFTA, but it potentially has even greater significance for the Uruguay Round.

Mr. Chairman, there is one point on which most of the economic studies are somewhat misleading. They tend to compare the status



quo with NAFTA. This is not however the choice that is facing you. To the contrary, the members of Congress must choose between the future for America that flows from implementing NAFTA and the future that will follow from rejecting it. We are convinced that NAFTA will benefit American companies and the American economy. We are also convinced that rejecting NAFTA would set this country on a dangerous course, with high risks for American workers. Thank you.

Mr. GEJDENSON. Thank you. Mr. Fingerhut.

Mr. GADBAW. Excuse me, Mr. Chairman, we have one more—

Mr. GEJDENSON. Oh, I am sorry.

Mr. GADBAW.—testifier that is part of the USA-NAFTA group that would like to speak to the impact on small businesses.

Mr. GEJDENSON. Please.

#### STATEMENT OF ALBERT C. BLACK, JR., USA-NAFTA

Mr. BLACK. Thank you, Mr. Chairman and committee members. My name is Albert Black. I work for the management and staff of On-Target Supplies and Logistics. As the president and CEO, we founded the company 11 years ago. And I guess about 6 years ago, way before we heard of anything called NAFTA, we got a part of a debate on what it would take for inner city business, small companies, minority businesses, to be a part of a regional and then global economy.

We employ 20 people in South Dallas, Texas. And if you have ever been to Dallas, chances are very good that you have never come to South Dallas. South Dallas is the ghetto—the premier ghetto of Texas. Our company is right in the middle of it, and we have 20 employees excited about this North American Free Trade Agreement. It seems an awful lot of opportunity for them.

We have chosen to be motivated by opportunity, than be managed by fear. And I regret the Representative McKinney is not here, because as an African-American representative in the U.S. Congress, we believe that they have a special responsibility to include small, inner city business in a part of trade agreements that we have never been a part of before. Large corporations, big businesses always take the lead on this, and I am proud to be a part of the forming of American policy.

Let us take a look at some of the critical issues, education, for an example. So many kids in South Dallas, Texas, so many children in inner-cities do not know why you study Spanish. They do not know why you study French. Inner city school districts are oftentimes trade schools. They teach people how to get a job. And when you give us those subjects, we know no application for them. But all of a sudden, working with schools like John Henry Brown, Julius C. Frazier, on the corners of streets that the FBI says it is the worst crime districts in the United States, these children are studying French. They are studying Spanish with a new perspective, and that is, one day, I will be using these subjects as I develop a career. And we think that is very important.

We have heard testimony this morning, Mr. Chairman, about the humanitarian aspects of NAFTA. However, it was given in the reverse. Something tells me that the United States is going to get involved if people are suffering no matter where it is around the

world. I think it is time for us to send in business people and American business policy, versus soldiers. Now, we are going to do one or the other, and I am suggesting the trade and not aid is the answer here.

As we define a new economy in this country, I think that we need to include all people, and I am glad to be a part of this. I think that NAFTA is good for the inner city. I think it conditions people for a different world paradigm. We have seen testimony after testimony of people losing jobs. That is not going to stop happening until we start looking at ourselves as being truly a part of a global economy. NAFTA will create jobs. It is because it will eliminate some of the trade barriers, just one example.

A few years ago, about 6 years ago, we had an opportunity to do business in Mexico. The requirement then was for us to employ people in Mexico, for us to have a facility in Mexico, and that was not a part of our business strategy. We want to export. Exporting right now to Mexico would require a 10 to 20 percent increase in our operating cost because of the staggering tariffs. It is time for us to eliminate these barriers and let small business people be a part of this regional and then global economy.

I submitted formal testimony, Mr. Chairman, for your records. I trust that some of the things that I have suggested this morning will be considered as you prepare for your vote. Thank you for the opportunity.

[The prepared statement of Mr. Black appears in the appendix.]

Mr. GEJDENSON. Thank you. Before turning to the gentleman from Ohio, Mr. Wenstrand, in your testimony, you said, "The coalition of 150 farm organizations, business-related groups, which I have attached for the record ..." is that—it is not attached as far as we can see, and we would actually like to get that list, if you could.

Mr. WENSTRAND. If that is the case, we certainly will, Mr. Chairman.

Mr. GEJDENSON. Thank you. Gentleman from Ohio.

Mr. FINGERHUT. Thank you. I thank the panel. As we all know, there are very good, strong arguments to be made on both sides of this issue, and you have all done an excellent job of making the arguments. I do have to say, though, Mr. Gadbaw, that I respected your testimony until the end, and I am now frankly incredulous at your discussion of the fiscal implications of this.

You know, a lot of us have just come through a very bitter and divisive budget debate in which we have been trying to grapple with the Federal budget deficit. Some of us were criticized for perhaps not being fiscally responsible enough. In fact, what we have done, is we have put ourselves in a very tight fiscal straightjacket in which, contrary to public opinion, if we want to do anything in this place, we have to be straightforward and explicit with the American public about how we are going to pay for it. The era of the free lunch is over. If we want to spend more money, we have to say where we are going to get the money from. If we want to reduce taxes on something or reduce revenue on something, we have to say how we are going to make up for that so we do not keep burdening future generations.



Every one of us has a proposal that we would like to make to change policy, and we have to deal with the fact that the Congressional Budget Office may score it or may tell us what it is going to cost in a way we would not like. I would love to be able to go to them and say, "Let's just change the rules." You know, score it differently. But the fact is, is that we are going to confront real numbers in this place.

As I understand your suggestion of how to deal with this loss of revenue to the country, it is to let us just count it differently. Well, I can tell you that is not going to wash. It frankly stuns me that on behalf of the company you represent, and also the National Association of Manufacturers, for whom I have incredible respect and with whom I work very frequently you cannot come here and say that here is a source of revenue, whether it is a spending cut that you are willing to support or a tax increase that you are willing to support to pay for this. Rather, you tell us that the way out of this is simply to change the way we count. Again, I suggest that not only is that not going to work, but if you want to pursue that tact on this, you are opening a Pandora's box that is going to undo some progress that we think we have made around this place to make more responsible decisions.

Having made my view known, I give you an opportunity to respond.

Mr. GADBAW. Thank you, Congressman. And I want to say that it certainly was not my intention to come across as fiscally irresponsible. We are sensitive to the very issue that you have raised.

I would only say, speaking personally, I came to Washington in 1973. I worked on the trade agreement of 1974. I have spent my life in the trade area in my entire professional career working on every piece of trade legislation that Congress has enacted since 1973. And my issue is very simply this: I think that if the Congress is forced to take the approach it is taking on how to score the impact of tariff reductions, it is a real threat to whether we will ever be able to enact trade negotiating authority and implement trade agreements.

That is the problem that I am addressing. And I think you can go back over the history of trade agreements, back to the 1930's, this problem has always been there and we have always been able to address it in a way that recognizes that since the—since 1915, when we adopted the income tax, tariffs were not viewed as essentially revenue measures. They were viewed as measures of commercial policy to regulate trade. And we have been trying to dismantle them in the United States and abroad in order to promote international trade. This is—we have got to find a way to do this in such a way that it does not prevent us from conducting trade negotiations.

That is my issue. I accept that I may not have come up with the answer, but it is an answer that I offer for consideration. I recognize that there are lots of people that may have a better understanding of how this process works.

Mr. FINGERHUT. I do not mean to be cynical on this point, Mr. Gadbow, I certainly do not mean to misparaphrase you. But let me just suggest that what you are saying is that these fiscal rules that we have adopted to try and solve a problem of incredible mag-

nitude that did not exist in previous generations, involving earlier tariff acts, is something that we ought to now disregard when it poses a problem to something you would like to see passed.

You would like to see NAFTA passed. You recognize that the fiscal problem is a barrier that is, in fact, threatening the passage. So now, we should disregard these rules that we have adopted. Whether we would like to admit it or not, tariffs are a revenue measure. And the fact of the matter is that we are reducing revenue and we have to deal with it. I simply suggest that we go back—look, I do not agree—we are on opposite sides of this issue. But without regard to that, I suggest that if the revenue issue is as big a political problem as it appears to be, that we go back, and the National Association of Manufacturers come forward and say, “Here is a real dollar way that we are going to pay for this,” because no one wants to pay more and no one wants to give up something that they already get from the government.

I really think it is a issue that we ought to reexamine because these rules are all fine and good until it comes up against something that we want.

Mr. GEJDENSON. Mr. Rohrabacher.

Mr. ROHRABACHER. Don't listen to him.

[Laughter.]

That is it. No further questions. Let me note that the Democratic party had a tough time with Reagan's tax cuts as well. And when they relied on a static analysis like they are relying on—which you are having to rely on now, the CBO, and the static analysis was that the Reagan tax cuts would result in a dramatic loss of revenue during a certain period. And if you look at the time period, you will find there was a dramatic increase in revenue during that same time period.

Mr. FINGERHUT. If the gentleman will yield. What the static model showed was that we result in a huge budget deficit which, as I recall, we have gone from a \$1 trillion Federal debt to \$4 trillion Federal debt—

Mr. ROHRABACHER. If I could—

Mr. FINGERHUT.—over the period of time that the gentleman is referring to.

Mr. ROHRABACHER. Reclaiming my time. Which would have, of course, been tremendously worse had we continued on those policies that Reagan was trying to change, and did change. Which, in fact, the Federal revenue between 1981 and 1989 doubled, as compared to what the static analysis indicated that it was going to do. I think when you are dealing with reality—I think it is much more important for you to deal with reality than to deal with politics, which is what you—is what the suggestion was.

The reality is that with more trade and with an increasing economy, we are going to have more revenue for the government. I agree with that totally. And I would encourage you to go with, rather than trying to deal with politics, to try to deal with a real analysis based on what happens when economies grow.

I would like to ask some questions about the—in the agriculture area, how many jobs are we talking about in the agriculture area as estimated in terms of this agreement? How many jobs will be created? Or lost?

Mr. WENSTRAND. I think the overall—I am not sure if I can give you an agricultural breakdown. I mean, the figures—

Mr. ROHRABACHER. Well, what do you—

Mr. WENSTRAND.—are certainly as—

Mr. ROHRABACHER. Well, you represent the corn growers. What about in the corn and grain growers, what are we talking about here?

Mr. WENSTRAND. I guess including, again, all the value-added aspects and the processing aspects, which is a major portion, our best estimate is about 50,000.

Mr. ROHRABACHER. Fifty-thousand more jobs?

Mr. WENSTRAND. Correct.

Mr. ROHRABACHER. OK. And, I mean, it was interesting in the last panel we heard that Canada lost 500,000 jobs. We gained 250,000 jobs. Apparently, just something, you know, UFOs took away 250,000 workers because they sort of disappeared in the analysis some place. Mr. Cohen, what do your figures show about the number of jobs being created?

Mr. COHEN. We have access to the basic economic studies which have indicated a net increase in employment. The Non-Partisan Institute for International Economics has suggested that over 5 years, 170,000 would be created.

Mr. ROHRABACHER. New jobs, is that what—

Mr. COHEN. New jobs.

Mr. ROHRABACHER. Is that net? Was that net?

Mr. COHEN. Net new jobs would be created.

Mr. ROHRABACHER. As compared to—now—

Mr. COHEN. The Department of Labor—

Mr. ROHRABACHER.—there is always a first location, right? We are talking about—some people will lose their jobs. There will be some jobs lost.

Mr. COHEN. Yes, indeed.

Mr. ROHRABACHER. But in net, you are saying that of the people who lose their jobs, there will be more than—175,000 more jobs than are lost will be created. Is that right?

Mr. COHEN. That is correct. There are also other studies, such as that of the Department of Labor, which suggest that in excess of 60,000 jobs will be created over 10 years. Almost every credible study has a result that indicates there will be a positive impact on jobs in the United States as the result of NAFTA when you use a net figure.

Mr. ROHRABACHER. Right. We just talked about railroad engines. How many railroad engines are being sold to Mexico and they expect that to be facilitated because of this agreement?

Mr. GADBAW. Mr. Chairman, we have a major sale. We just sold 100 locomotives to Mexico. Our estimate for our transportation business is that over the next decade, there is a \$2 billion market in Mexico with GE potential exports of \$800 million.

Mr. ROHRABACHER. Right. And do you have any foreign competition at all? I do not—does European sell—

Mr. GADBAW. Believe me, Mr. Chairman—Congressman, we have lots of foreign competition. They are in Mexico right now and it is a—

Mr. ROHRABACHER. But, do you think—



Mr. ROHRABACHER. Do you think that maybe eliminating the tariffs for your guys trying to sell their products in Mexico and keeping the tariffs on your competition might help us create new jobs?

Mr. GADBAW. There is no question about it, Congressman. And what we are up against, in other parts of the world, are much, much tougher markets. Now, we are going after those markets, but the beauty of Mexico is they want our products. They welcome our products. They can buy our products.

Mr. ROHRABACHER. Let me note, I have gone through periods of unemployment. I am a writer by profession. I am not a professional politician, and I have gone through periods of—I was a newspaper man. And I recognize the panel before us had a lot of frustration and fear, and they represented the fear of American workers. And the fellow was right. I think it was Mr. Acton who was suggesting that it causes tremendous hardships in the family when you have someone losing their job. And I just hope that as you are presenting the case, that you make sure that you let people know that you care about people and that you are absolutely caring about that fellow whose wife was—they were splitting up with each other because the guy lost his job. And I have seen that with people who lose their jobs.

And I just want to note, Mr. Chairman, just in closing, because I know I have used up my time, that I believe that when you use your head and your heart, that is when you are the most compassionate. And there are a lot of people on this issue right now who are using their hearts, and they are just absolutely so frantic and they have been so frightened that they are not using their heads in this. So, let us have some real compassion and that is having policies like the gentleman who came here from small business to represent. Let us make sure that we are using our heads and letting the opportunities flow for Americans, those 175,000 who will have more jobs.

Thank you, very much, Mr. Chairman.

Mr. GEJDENSON. I do hope the panel will be here when we are trying to do displaced workers legislation and see some support for those programs. I know some of you do support those kinds of programs.

Mr. COHEN. We do and we have, Mr. Chairman, testified in support and we will continue.

Mr. GEJDENSON. Over the last 12 years, we have had a lot of resistance to worker displacement programs, which is part of the reasons, frankly, that the first panel is somewhat nervous about what happens to them when they are left out. Mr. Manzullo.

Mr. MANZULLO. Thank you, Mr. Chairman. Mr. Black, I want to tell you that I think that your testimony is some of the most compelling and factual presented on the hill. Yours is a story that has yet to reach many members of Congress who should be readily grasp every detail that you had in every sentence that was so well structured. I cannot tell you how much I appreciate what you are doing, not only in your small company of 20 people, but by coming forth with a true answer that the only way inner cities will be revitalized. It is not through massive infusions of money through welfare programs, but through people such as yourself who have the ingenuity and the time to take people off welfare, put them into po-



the ingenuity and the time to take people off welfare, put them into positions of manufacturing, and to explode those jobs through exports.

You, my friend, understand the total picture. Most members of Congress, who will be presented with your testimony, may change their mind in favor of NAFTA if you could get that message to several individuals. I would like to discuss that with you personally afterwards.

Mr. BLACK. Sure.

Mr. MANZULLO. Mr. Gadbaw, we are the beneficiary of the former president of General Electric, now the president of Sunstrand in Rockford, Illinois. Your testimony also is the type of testimony that should have been carved out and presented perhaps 8 or 9 months ago. What you have done, sir, is succeeded in localizing how your company in particular will benefit dramatically as a result of the passage of NAFTA. And what I would suggest also, is that the reason there has been so much opposition to NAFTA is that the pro-NAFTA organizations have looked upon NAFTA in terms of a net gain of jobs. Net means that somebody is going to lose.

Members of Congress vote parochially. They want to do what is best for their congressional districts. And there is not any material that has been drawn up, aside from what I have done for my own district, that tells exactly how NAFTA will impact each congressional district. That has to be done. But time is running very, very short on that. But what you did, you understand the picture on it.

Mr. GADBAW. Congressman, we are going to every Congressman in the Congress with information on how it impacts their district, with information on the suppliers to General Electric from their district, and working with other companies to try and bring that information home to Congressmen. Because, I could not agree with you more, that it is—it has to be addressed at the local grass roots level.

Mr. MANZULLO. Thank you.

Mr. GEJDENSON. Thank you. Mr. Bereuter.

Mr. BEREUTER. Thank you, Mr. Chairman, and I want to thank our witnesses for the excellent testimony they have all provided to us. Like Mr. Manzullo, Mr. Black, I thought your testimony was—your written testimony was very good. Your oral testimony was even better. And with your permission, I would like to take from the transcripts and put it in the *Congressional Record* with an explanation of when you delivered it. Is that satisfactory?

Mr. BLACK. Thanks for the opportunity.

Mr. BEREUTER. Thank you. Mr. Wenstrand, I appreciated your testimony. I look forward to that list, also, of the Ag business, and agricultural commodity organizations and others that are supportive of the approval of NAFTA. You might be interested to know that the Nebraska Corn Board in our state looked at a wide number of studies and concluded that, without exception, they all were projecting a significant increase in corn exports as a result of the passage of NAFTA; anywhere from 44 percent to well over 200 percent by the time it is fully phased in and the quotas are reduced over a period of time.

We do have another group that has a name similar to your own organization that has a different point of view. And perhaps, you can continue your effort to convince them of your position, and we will not give them anymore visibility here today than we need to.

I was involved in a session a couple of weeks ago with President Clinton when he was visiting with us about his support for NAFTA. And one of the members from Ohio said, "You know, Mr. President, if you can influence the CEOs that are supportive of the passage of NAFTA to spend their time, not on Capitol Hill, but in visiting with their own workers, we would all be advantaged because they would have a better understanding of what their corporate leadership thinks the approval of NAFTA means to the individual worker on the assembly line, the people hauling the products, and these involved at all phases of production."

And I think that is very good advice. The focus of their time really ought to be with their workers. And I think that some of the misinformation that is provided by supporters and opponents to NAFTA could be mitigated in part. It would provide a lot of reassurance to farm families and to working families in the manufacturing and service sectors if the individual people who are in management, right down to those working on the assembly lines could speak very directly to each other about what NAFTA means for them and for their families.

Mr. COHEN. Mr. Bereuter, if I just may respond. That is to say that many of the executives in the Emergency Committee for American Trade are doing just that. They are communicating with the workers who are producing the products that are exported to Mexico, explaining that their jobs are tied. And we do need to do more, but we do take that point.

Mr. BEREUTER. With any time I have remaining, I would like to just give any of you an opportunity to comment upon the testimony of any member of the previous panel.

Mr. COHEN. If I may, Mr. Bereuter.

Mr. BEREUTER. Mr. Cohen.

Mr. COHEN. One emphasis on the previous panel had to do with the situation in the north of Mexico, where, indeed, there is considerable poverty, where sometimes appearances are made at various sites and they are identified as what will be multiplied if NAFTA is enacted. In a sense, what is occurring on the border area is an aberration, rather than emblematic of what will occur under NAFTA.

Many of those facilities that are close to the border that are described are ones that would be eliminated under NAFTA. Those were set up not for, in many cases or almost in all cases, for sale of products in Mexico, but for the use of low-wage workers to put together parts and components manufactured in the United States, which preserves jobs I might add in the United States, and ship those products back to the United States.

Mr. BEREUTER. Yes.

Mr. COHEN. Under NAFTA, those types of facilities will not have the attraction and will not have the support under the NAFTA, and that would completely change. So for those who are trying to say that we will see more facilities such as those on the border, I would

say it is 180 degrees the other way. Those are the facilities that will be eliminated.

Mr. BEREUTER. Yes. The legal basis for the tax incentives for the Maquiladora twin plant arrangements are eliminated by the approval of NAFTA.

Who else would like to comment on anything of the previous panel? I will just go right down the line then. Mr. Wenstrand.

Mr. WENSTRAND. OK. Just a general comment on the anxieties that has been mentioned, and I think it is wise to acknowledge the anxieties and fears of workers on jobs. I think we need to take a step back and take a look at all of the forces that are around us in the world, and we know that it is a very dynamic world situation. Yes, there is global competition. On the other hand, there are emerging markets. We have had—the cold war has ended. That is changing world dynamics.

And I think a lot of people agree that the pressure on jobs in the United States, and in the industrialized world in general, is not from competition, it is from automation and technology. And I think it is just wise to recognize that and also recognize that these forces are very powerful. But, they are probably going to be—continue to be with us. So, we need to look at—I think we need to take a step back and how this fits into the larger picture.

Mr. BEREUTER. Thank you. Mr. Chairman, I know my time has expired. I will not ask any further questions. But if the last two could respond, I would appreciate. Mr. Gadbow, did you have something you wanted to say?

Mr. GADBAW. I would say just one thing. I think the problem we all face is that NAFTA is being held hostage. It is being held hostage to problems and fears that are not tied to NAFTA. They are tied to technological change, to the global economy in which we operate. The concern that I have is that exports and trade is being seen as part of the problem, not part of the solution. We are not going to solve these problems unless we get behind our exporters in this country in a way in which we have never done in our history. And that is the only way we can address these problems.

Closing ourselves off from some of the best markets in the world is not going to solve that problem. It is only going to make it worse for us. And while those fears are legitimate, we are actually in many ways in a much stronger position to take advantage of all the adjustments and restructuring that has gone on in this country in the last 10 years, and to go out and beat the competition in Japan and in Europe. And I we do not get behind our exporters, we are going to look back on this period of time as a major missed opportunity.

Mr. BEREUTER. Thank you. Mr. Black.

Mr. BLACK. You know, one of the common, or I guess you could say strings of our previous panel was they were here to protect jobs, and we sure can appreciate that. But, protection is not the answer in this new economy that we are all a part of. Being challenged to be better is it. We have got to challenge people to improve on their jobs every day. We have got to get people to understand that this is a global economy. Either we are going to be a part of it, and go with it and lead it, or it is going to run over us just like it has demonstrated before.



This is something we have to take seriously. And the paradigm of trade unions in this country is just plain old going to have to change. It is going to have to change in creating people from being good employees to being good employers. And employer is what I am, and I believe that we will be able to double our staff in 2 years by doing business in Mexico with people that want to do business with us right now. Major corporations that we supply in the United States, we cannot supply in Mexico. How long will it be before they choose Mexican suppliers because we are unable to get over the trade barriers.

Mr. GEJDENSON. Thank you. Mr. Manzullo.

Mr. MANZULLO. I just wanted to share with you something interesting that I discussed with one of the gentlemen from the prior panel. We have found out that one of our counties that I represent, which is a bedroom community of Chicago, is in a severe nonattainment zone by the EPA. And, any factory that has more than 100 employees, 25 of them will now have to come to work through car pooling or public transportation. And in this bedroom county, approximately three-fourths of it is comprised of very small towns where people drive in from great distances. And some of these factories have Maquiladoras in Mexico.

And now, we will soon witness the shocking spectacle of American industries being forced to close because their workers will have no means of transportation to get to work. And so, there is a news story that in our energy and zeal to comply with the Clean Air Act, in areas that just happen to be close to metropolitan areas and areas whose air is as clean as the air in any other rural area, those jobs could go south because the American employers can no longer put up with the incredible regulations and restrictions.

Do any of you gentlemen have any comment on that? Or is this so new it is shocking to you?

Mr. COHEN. The problem, Congressman, that you are describing has to do, though, with the U.S. statutes and the U.S. regulations. So what you are saying is that the passage of NAFTA or the implementation of NAFTA would not add to the problem. It is really a domestic problem that needs to be addressed.

Mr. MANZULLO. That is correct. But, it certainly provides an easy out for American companies to move south when they are facing these types of regulations.

Mr. COHEN. I could say in just general that our companies do not move down to Mexico in order to avoid the environmental regulations that are on the books.

Mr. MANZULLO. I understand that. That is not allowed under NAFTA either. But in unique situations like these when you do not even think about until what essentially is a tragedy for a rural county happens to be attached to a MSA of a larger area. I mean, now we have a whole new battle on our hands.

Mr. GEJDENSON. Thank you. We thank the panel for their testimony and appreciate the participation of the members. The hearing is adjourned.

[Whereupon, at 12:22 p.m., the committee was adjourned.]



## APPENDIX

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Rep. Sam Gejdenson

October 20, 1993

The recent debate on NAFTA has been dominated by both grand promises of future prosperity and threats of economic ruin. While promises of economic gain are tantalizing, the threat of job losses can be terrifying. What is the truth, will we gain or lose with NAFTA? In all likelihood we will do both: economic gains for some will be accompanied by economic pains for others. In deciding whether this is a bargain we are willing to accept I am reminded of the doctors' Hippocratic oath which says "First, do no harm". That seems to be a useful guide for deciding the relative merits of any trade agreement, including this one.

In the context of NAFTA, "first, do no harm" means that even though it can be reasonably argued that some industries stand to gain from the passage of NAFTA, there are many others who are likely to lose. With unemployment over 10% in some parts of the country - including in my own state of Connecticut - our adoption of the Hippocratic oath means that our primary responsibility is to avoid taking any action that can do harm to those already suffering the effects of defense cuts, industry

downsizing and the like.

NAFTA had the potential to be a good first step toward a future North American economy based on high living standards, full employment, free and fair trade and a clean environment. But by the time the previous Administration finished negotiating the accord, it was apparent that NAFTA would not live up to that potential. Serious deficiencies in the agreement mean that Mexico will be able to continue to enjoy a comparative advantage over the U.S. by retaining a low wage strategy coupled with weak environmental, health and safety standards. Unfortunately, the side agreements have improved the agreement only moderately.

As I said, I think NAFTA had the potential to be a good agreement and I hold out hope that an agreement can yet be negotiated that protects American interests at the same time that it expands our markets.

In the meantime, I think that a pledge of "do no harm" has to mean withholding support for NAFTA.

Testimony of Andrew D. Romegialli  
 Directing Labor Representative  
 District 91, I.A.M.A.W.  
 before the Subcommittees on  
 Economic Policy Trade and Environment and  
 Western Hemisphere Affairs  
 hearing on  
 North American Free Trade Agreement  
 October 21, 1993

Good morning, Mr. Chairman and members of the Committee. I am Andrew D. Romegialli and I live in Plainville, Connecticut. I represent 11,000 Connecticut workers at Pratt & Whitney, Hamilton Standard, and IFC/ONSI, which are all divisions of United Technologies Corporation. I consider it a great honor and privilege to testify before you on the North American Free Trade Agreement (NAFTA)--and am grateful for the opportunity to tell you about my recent trip to Tijuana, Mexico and the surrounding Maquiladora industrial area.

I was selected by I.A.M.A.W. International President, George J. Kourpias, to be one of 38 Machinists Union representatives from the United States and Canada to tour the Maquiladora area and the surrounding villages in Tijuana, Mexico on September 21, 1993. The group was made up of 34 U.S. citizens and 4 Canadian citizens. The purpose of our trip was to see first-hand the conditions at the U.S./Mexican factories, visit the villages and learn about the living conditions of the average Mexican worker. The testimony I am about to give is from my personal experience of what I observed and heard.

Last month I traveled to Anaheim, California to attend an I.A.M. Industrial Conference. As I previously stated I was selected to be part of a 38 member delegation that would tour the Maquiladora section in Tijuana Mexico. On the morning of September 21, 1993 at approximately 6:50 A.M. I boarded a Pacific Coast Sight Seeing Tour Bus. I.A.M. Vice President Tom Buffenbarger sent us on our way saying, "This trip is going to be an experience you will remember for a long time." How right he was.

We departed from the hotel at approximately 7:00 A.M. and stopped in San Diego, Ca. to pick up our interpreter, Isaac Mankita. On the way to the border Isaac told us he had made this trip on several occasions with a variety of different groups,

ranging from college students to church groups to community organizations and unions.

We crossed the U.S./Mexican border at 9:00 A.M. and the bus pulled over to the immigration building to obtain the necessary paper work needed to continue the trip. I should note that the bus driver had also made this same trip on several different occasions. After obtaining the proper paper work we drove through downtown Tijuana and headed toward the airport.

Our first stop was outside the Tijuana airport where we saw the ongoing construction of the aircraft/jet engine repair station. We were told by our interpreter that this repair station has been under construction for the last eight months. I must note that I believe that once this repair station is operational it may well have a direct impact on the overhaul and repair work that is presently done in Connecticut and other parts of the U.S.

We boarded the bus to continue our tour of the area factories and drove by two more plants. We then started to drive down to one of the villages just below one of the factories.

On the top edge of the village the bus stopped so that we could walk down the hill to the village. We passed by a drainage system from one of the plants and I saw human waste and other substances running into the stream that flowed through the village and into the river.

We proceeded down the hill walking through the village and I saw the most deplorable living conditions I have ever personally witnessed. Two and three families sharing a one room shanty. No fresh running water, no electricity, no sewage system and no schools. We were told by our interpreter that an estimated 10,000 people lived in this village.

We were fortunate to encounter a couple of local residents who were willing to talk to our group. The two women we talked to told us that their husbands worked in the factory on top of the hill and made approximately \$.80 cents an hour, or about \$6.50 a day. They told us that their only fresh water is delivered once a week to the village in 55 gallon drums that cost almost a full day's pay. According to these women, a half gallon of milk from the U.S. cost about \$1.89 and orange juice about \$1.09 -- more than 3 hours' pay for these two items.

One woman showed us the sores on her child's back from going into the river to cool off. We asked that woman why her children were not in school. She explained that when her children were born she and her husband could not afford to buy birth certificates, without which the children cannot attend school.



Before leaving the village we walked down to the river and again saw human waste and other pollutants floating past us. The smell was horrible.

We then walked back up the hill and boarded the bus to head for another factory. We stopped outside a factory that was operated by a furniture company from California up until January 1993, when they shut down overnight without warning and moved back to the U.S. Our interpreter told us he spoke with former workers of the plant who said that when they reported to work and found the plant closed they were told by their Mexican supervisor to call their Union. Isaac went on to tell us that the workers told their supervisors they had no Union and their supervisor gave them the phone number of a Union in Mexico City, which was apparently the workers' "representative" though none of the workers were made aware of it.

We then drove to our second village, a community of about 50,000 people. Our interpreter told us that this was one of the better villages. He said that about one hundred houses had electrical lines connected to batteries for lighting and other use, but we saw no fresh running water, normal utilities, or a sewage system. He also told us that we would be having a meeting with some workers and their families at the community center in this village.

While walking through this village, I passed by some small buildings with no windows or doors to keep out the elements. This turned out to be the only school in this community of 50,000 people. As I was told later in a meeting with local residents, only 70 children were enrolled in this school.

At approximately 12:00 noon we entered the community center and began our meeting. With about 45 members of the community we discussed working conditions in the factories. We were told that many U.S. and Mexican companies employ children as young as twelve years old in the plants, that they work a six day work week in most of the plants, that the average wage for most of the people in the village is \$7.00 a day.

One woman told us about a co-worker who in her view was mistreated. She said a pregnant co-worker started to bleed at her work station and asked her to get her boss. When the woman returned with the boss the worker who was bleeding asked if she could sit down for awhile and was told no. The boss asked her if she was pregnant and the woman responded yes. Her boss then moved her off her job and had her moving boxes, during which she suffered a miscarriage. The woman told us her co-worker was not given medical attention until her shift ended.

We were also told about one of the men who lived in the village, who accidentally cut off parts of two fingers at work. The boss just wrapped his hand up and the worker was not given medical attention until the end of his shift.

We asked the community leaders and workers what they thought about NAFTA and if they thought NAFTA would better their standard of living. The workers told us that since last year they had lost about 11 cents an hour in pay due to more U.S. factories moving to Mexico. They attributed the wage loss to the arrival of southern Mexican workers who are willing to work for less. The companies are taking full advantage of these people. People did say that in some of the auto factories workers recently received a pay increase but they were suspicious that it was done to show a false sense of progress, due to the debate about NAFTA. They went on to tell us that until the Mexican government respects the rights of the Mexican worker to freely establish their own Unions as in the U.S., until labor reform is established and becomes a reality in Mexico, until they can elect their own Union representative who will bargaining with the employers -- they do not want NAFTA passed. They believe if this NAFTA is passed, the standard of living will continue to go down. They did tell us they need jobs but not in this fashion.

The workers and community representatives that we met struck me as honest, forthright, decent, hard working and proud people. As we were leaving, they specifically asked us to have as many U.S. Representatives as possible come down to see the conditions under which they live before voting on NAFTA.

We left the village at approximately 1:45 P.M. and drove across town to the Plasticos Baja California plant where we were to meet workers who had agreed to talk with us. We arrived at the plant about 2:00 P.M. and the bus parked a little down and across the street from the plant. Some of our delegation including myself got off the bus and took some pictures of the outside of the plant. While I was walking up the street I noticed a couple of vans letting some of the workers off to go to work. I stopped and saw with my own eyes children getting off the van and going through the plant entrance past the guards. I would estimate the childrens' ages as between 12 and 15 years old.

At approximately 2:25 P.M. our interpreter told some of us that something must be wrong because the two people we expected had not shown up yet. He asked us if we would wait a few more minutes and we agreed.

Our interpreter spotted a worker that he knew who worked at this plant dropping a woman off at the plant and asked if he would be willing to talk with us. The worker agreed but said he could only talk for about 5 minutes because he had to go to another plant to work.

We all got back on the bus and the young man told us through the interpreter that he no longer worked at the Plasticos plant. He told us he was asked to "abandon" his job because he missed two Saturdays in a row from work due to the fact he was going to

school to learn computer science. He told us his supervisor gave him these choices: quit school, be fired or abandon the job. He chose to abandon his job since that would make it easier for him to find other work. He said that his wife just got a job at this Plasticos plant and he was nervous because of the way women were treated in the plant.

All of a sudden a van and a car pulled along side and in front of the bus. Men got out of the vehicles and ordered the bus driver, the interpreter, and the young Mexican worker off the bus. The lettering on their jackets read "Inspector Immigrations." The next thing I witnessed were two inspectors grabbing the young Mexican worker by the arms and pulling him away while another inspector lead our interpreter away. Both were put in a car.

The bus driver then entered the bus and told all of us that we were being detained by the immigration inspectors and that he was ordered to follow them. Someone asked what happened to our interpreter and the worker. The bus driver said they were going to be detained and questioned apart from us.

The Mexican authorities made the bus driver make a three point turn in the road instead of letting him turn around normally. They then led the bus down to a dead end road and once again made the bus driver make another three point turn before taking us back to the main road to Tijuana. They brought us to an immigration station and had the bus driver pull into a parking lot. Once the bus driver parked the bus the Mexicans told him he drove into the wrong lot and that he would have to back the bus out. Once he backed the bus out of the parking lot they made him drive behind a wall between the immigration building and the border wall. One of the Mexican inspectors of immigration then order the bus driver to shut off the bus and close the door.

We were kept inside on the bus for approximately one hour. During this hour one of the inspectors came in the bus and ordered us all to give him our passports and/or driver licenses. All of us on the bus responded "No!" He then left the bus and came back 5 minutes later and told us we must write our names, addresses, and country on a piece of paper. We all complied with this request. He left the bus but then came back about ten minutes later and said, "None of you put down your age. You must do that now." Once again we complied.

A few minutes later the Mexican inspector told the bus driver he could let a few people at a time off the bus to get some air or have a cigarette. After a few minutes we all decided to get off the bus due to the heat. We stayed outside for about 20 - 25 minutes and then were ordered back on the bus.

Once on the bus the Mexican inspector came aboard and checked each person off the list making us show either a passport

or a driver license. This process took another 15 minutes. After he was through we asked if we could get off the bus and were told only for a few minutes. At least three people at this time asked to be allowed to make a phone call to the American Consul in Tijuana. The Mexican inspector refused the request. When one of our delegation responded we have our rights, the Mexican inspector said, "You have no rights, only Mexican rights."

We were then all ordered back on the bus and the bus driver was told he had to move to another lot. Once we arrived at that lot three more individuals asked to make phone calls back to the U.S. and once again permission was denied.

At about 5:45 P.M. the Mexican authorities told us to step outside the bus and in various small groups began to tell us what we did "wrong." I want to point out to the committee that from 2:45 P.M. until approximately 5:45 P.M. the Mexican inspectors refused to tell us why we were being detained.

The inspectors told the group I was in that we were "at the plant for three days harassing and threatening the workers." They told our group we could be detained up to 18 months for the violations we committed. As he walked away, the inspector turned around and said, "Maybe next year I'll be able to buy my Stetsons 'made in Mexico!'" and started laughing. Another group stated they were told that we were "distributing American Union propaganda on NAFTA." Other members of the delegation were told that we violated Mexican immigration laws by talking to Mexican workers.

At approximately 5:55 P.M. the head officer of the Mexican Inspectors of Immigration brought over our interpreter and asked to speak with the entire group. The officer told us that the management of the Plasticos plant had called Immigrations and reported we were passing out leaflets at the plant. We tried to correct his misinformation, but he kept on talking, stating we did not have the permission of Immigration and the plant management to drive up to the factories and talk with workers. He told us how lucky we were that Mexico City decided that our actions were not illegal but were "irregular."

The Chief Inspector concluded by telling us that we could either stay in Mexico as "good tourists" as long as we stayed in the downtown tourist area or we could get back on our bus and go back to our own country. Needless to say, we unanimously decided to leave. We left Mexico at approximately 6:00 P.M. and got through the border about 6:10 P.M.

An article appeared in the New York Times on Friday September 24, 1993 in which Mexican authorities reported that the I.A.M. delegation entered the Plasticos Baja California plant. As some one who was part of that delegation, I can tell you that



claim is an outright lie. The truth, in my opinion, is that the Mexican authorities and the owners of the Plasticos plant are afraid to let Americans see what life is truly like in Mexico.

My experience in Mexico was limited in scope and brief in time. But the sights I saw, the voices of the workers and Mexican citizens I listened to, the living conditions and the environmental ruin I witnessed had a deep personal impact on me. I will not forget the experience.

Neither will I forget the way the Machinists Union delegation was treated by the Mexican authorities, our unwarranted detainment and the outward lies the Mexican authorities and factory owners fabricated in an attempt to justify their bullying. After this episode, I have to wonder how in the world can we trust the Mexican government and the owners of the U.S. and Mexican plants to live up to and tell the truth about worker and environmental issues in the NAFTA agreement.

The NAFTA before the Congress today does not adequately address and protect workers right in Mexico. It does not abolish the exploitation of the U.S. and Mexican companies hiring young children in the factories who should be in school. It does not address adequately the wage disparity between the U.S. and Mexico. I believe this lopsided wage competition with Mexico will undercut and lower the standard of living for the workers of the United States. I believe many American companies have moved to Mexico purely for low-cost labor and have thrown our fellow citizens out on the street with nowhere to go.

In my home state of Connecticut, we have many people who have lost their jobs, people who need jobs right now, not a promise in the future. I have seen over 10,000 of the workers I represent in the past four years permanently laid off. I have seen Pratt & Whitney, Hamilton Standard, and United Technology Corporation play state against state for lower wages, disregarding high skilled workers who have served the company and this country proudly for many years. How long will it be before my members in District 91 are pitted against the low paid workers and exploited children of Mexico? Even without NAFTA, U.T.C. is said to have more than twenty plants in operation in Mexico now.

I believe we are on the verge of losing a great majority of manufacturing jobs left in this country if this NAFTA agreement is passed. I know we are in a global market place. But I also know nothing is free in this life and "free" trade has a heavy price for working people. Fair Trade is the only alternative. I urge the U.S. Congress to reject this NAFTA. I urge the Congress to help rebuild America and put Americans back to work!

Respectfully submitted,

*Andrew D. Romegialli*

Andrew D. Romegialli

SATURDAY  
OCTOBER 9 1993

## NAFTA gives union leader nightmares



**Robert  
Weisman**

**A**dy Romegialli says he has had vivid nightmares the past few weeks.

He sees the Mexican villages he visited last month, the large families living in small shacks without running water, sewage or electricity.

He sees children as young as 12, too poor to attend school, trudging to work for as little as 60 cents an hour at factories in the duty-free Machaladora zone just south of the California border.

And then Romegialli, directing labor representative for Machinists District 91 in East Hartford, sees the layoffs of veteran blue-collar workers in Connecticut or elsewhere. It is a haunting vision of the disappearance of the great American middle class.

"Nothing in my life has ever moved me like what I saw down there," said Romegialli, a man not often given to public expressions of emotion. "I had nightmare after nightmare about the layoffs here and what's going on down there. And that's why I believe this NAFTA has got to be stopped."

Romegialli was referring to the proposed North American Free Trade Agreement, negotiated by the Bush administration and backed by the Clinton administration, which would create a single market free of tariffs in the United States, Canada and Mexico.

NAFTA's opponents, including Romegialli, believe it also would lead to an exodus of American industry and good-paying manufacturing jobs — a duplicating throughout Mexico of the conditions he saw in his visit last month to the Machaladora zone.

Today, with President Clinton scheduled to be at Yale University, Romegialli is planning to recount his trip to Mexico — and the detention of his group of labor leaders for several hours by Mexican immigration authorities — at an anti-NAFTA rally set for noon on the New Haven Green.

Romegialli was one of three dozen Machinists leaders from the United States and Canada who traveled by bus across the U.S.-Mexico border Sept. 21, drove past several Machaladora factories and an aircraft-engine repair plant under construction near Tijuana's airport and toured two nearby Mexican villages, talking to the people.

In midafternoon, outside a plastics factory, the group was listening to a former worker through an interpreter when it was ordered by Mexican authorities to drive to an immigration office.

There the American and Canadian unionists were snuffled between three parking lots, told they had violated their tourist visas by distributing union pamphlets — which they adamantly denied — and, by early evening, were released and permitted to return to San Diego.

The story of their detention captured some headlines last month. Although the episode angered Romegialli, who viewed it as plain harassment, he said the larger scandal is the potential effect of NAFTA on both sides of the border.

Despite two side deals negotiated by the United States obliging Mexico to respect workers' rights and protect the environment, Romegialli thinks NAFTA would increase the exploitation of Mexican workers by American and other foreign-owned multinational companies.

Moreover, by driving manufacturing jobs south of the border, Romegialli contended, NAFTA would further weaken the American economy and the purchasing power of American consumers.

Citing the low wages and deplorable living conditions he saw in Mexico, the Machinists leader said, "You can't compete with a country that has that little regard for their own people, that little regard for their kids."

Proponents of NAFTA argue it will help the U.S. economy in the long run, even if there is short-term dislocation, by boosting the standard of living in Mexico and enabling Mexicans to buy American products. Romegialli dismissed that line or reasoning, however, citing the huge income disparity that exists between the United States and Mexico.

"Who's going to buy the products?" Romegialli asked. "What are they going to buy? Televisions? Vacuum cleaners? They don't have electricity. What are they going to plug them into?"

# Union official decries conditions in Mexico

■ **September visit:** Machinists union leader among those detained last month says fair trade isn't possible.

By ALEX WOOD

Journal Inquirer Staff Writer

An official of the union representing Pratt & Whitney and Hamilton Standard workers is denying a Mexican government claim that a union delegation of which he was a member entered a plastics factory in Tijuana before Mexican authorities detained them for several hours last month.

"We weren't even on the same side of the street as the plant," said Andrew Romegialli, the directing labor representative of District 91 of the International Association of Machinists and Aerospace Workers.

Most members of the delegation, which consisted of 38 Machinists union members from the United States and Canada, were on their bus when Mexican authorities detained them Sept. 21, Romegialli said Monday. He said he and a few other unionists had exited the bus and that he had taken a photo of the plant.

The claim by Mexican authorities that the unionists entered the Plásticos Baja California plant was reported by The New York Times. Calls to the Mexican embassy in Washington on Monday weren't returned.

The union members were in Mexico to observe labor conditions there and to talk to Mexican workers about the proposed North American Free Trade Agreement, which the union opposes.

The unionists on the bus were talking to a worker through an interpreter when they and the worker were detained, Romegialli said.

He said his group entered the country at about 9:10 a.m. Sept. 21 and talked to people in villages and visited plants until about 2:45 p.m., when they were detained. They left the country around 6 or 6:15 p.m., he said.

When Mexican authorities released the group, he said, members were given two alternatives: to stay in the tourist area in Tijuana or return to the United States.

They chose the latter, he said.

The delegation was moved between three parking lots while they were detained, and Mexican authorities insisted that they stay on their bus for the first hour, Romegialli said.

"We were getting very angry on the bus, especially in the first hour when they wouldn't let us out," he said.

Romegialli said officials told them just before they were released that they could have been detained for 18 months.

But, Romegialli said, what most concerned him was the living and working conditions he saw during the trip and on previous trips.

People in a village told the delegation that children as young as 12 years old were working in industrial plants clustered along the U.S. border, he said. He said the delegation also saw children in that age range getting off a bus and going into the plants.

Romegialli said the group visited one village near the plants that had no electricity or running water and another of some 50,000 people in which only about 2 percent of the population had electricity.

Yet the nearby plants had full utility service, he said.

Union leaders fear that the proposed free-trade agreement will lead to loss of U.S. jobs to poorly paid Mexican workers, and Romegialli argued that Mexican workers won't necessarily benefit if jobs move south of the border.

He said workers the group spoke to reported that wages had gone from 76 cents to 67 cents per hour when new companies moved into the area.

The work week at the plants is six days, and workers told the group they sometimes had to work 10 to 14 hours a day, although the work day is supposed to be eight hours, Romegialli said.

If a worker is out sick two days in a week, he is docked three days' pay, the union leader added.

Moreover, he said, the industrial plants have polluted a river to the point that children who went into it to cool off in the summer had sores all over their bodies.

"Free trade is where you can compete fairly," Romegialli said. "With the lack of education to their kids, there's no way this could be free trade or fair trade."

## Union Team Leaves Mexico in a Dispute Tied to Trade Pact

By ANTHONY DePALMA

Special to The New York Times

MEXICO CITY, Sept. 23 — Mexican authorities said today that a group of 38 American and Canadian union workers were asked to leave Mexico on Wednesday because they had violated the terms of their tourist visas by distributing pamphlets opposing lower trade barriers inside a factory in Tijuana.

The Americans, however, gave a different version today of what happened, charging that Mexican authorities had illegally detained them for several hours aboard a bus and had harassed them until they were forced to leave.

Coming at a time when the North American Free Trade Agreement among the United States, Canada and Mexico is being widely debated, the incident was quickly used by opponents of the agreement to show how Mexico treats its workers. Senator Donald W. Riegle and Representative David E. Bonior, both Democrats from Michigan who have criticized the trade agreement, called for a State Department investigation of the incident.

Union officials in the United States said a delegation from the International Association of Machinists and Aerospace Workers crossed the Mexican-United States border to check on conditions in Mexican factories to see how a free trade agreement would affect their own jobs. The delegation included a state legislator, John Jeffries, who is chairman of the Black Caucus of the Maryland House of Delegates.

When the Americans and Canadians, accompanied by one person from the Netherlands, entered the Plásticos Baja California plant in Tijuana and started talking to workers the factory owners called Mexican authorities.

Mexican Interior Ministry officials said the visitors did not have permission to enter the plant. They also said that the tourist visas on which they had entered the country did not permit them to get involved in demonstrations.

THE NEW YORK TIMES INTERNATIONAL FRIDAY, SEPTEMBER 24, 1993



REMARKS BY RICHARD D. ACTON, EXECUTIVE SECRETARY  
 CLEVELAND AFL-CIO FEDERATION OF LABOR  
 U.S. HOUSE OF REPRESENTATIVES  
 COMMITTEE ON FOREIGN AFFAIRS  
 OCTOBER 21, 1993

\* \* \* \* \*

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE. IT GIVES ME A GREAT DEAL OF PLEASURE TO HAVE AN OPPORTUNITY TO MAKE BRIEF REMARKS TO YOU TODAY.

WE IN LABOR, AS WELL AS MANY OF THE CONSTITUENTS OF OHIO'S 19TH CONGRESSIONAL DISTRICT, HAVE VERY STRONG FEELINGS ABOUT THE PROPOSED NAFTA AGREEMENT. TO PUT IT SIMPLY MR. CHAIRMAN, WE ARE TOTALLY OPPOSED TO THE NAFTA AGREEMENT AS PROPOSED.

NORTHEASTERN OHIO IS A MAJOR INDUSTRIAL AREA IN THE SO-CALLED RUST BELT. THE MID-WEST HAS BEEN GOOD FOR WORKING PEOPLE.

WE HAVE ENJOYED HAVING AN OPPORTUNITY TO HAVE A DECENT JOB, OWN A HOME AND A CAR, AND BEING ABLE TO RAISE OUR FAMILIES.

HOWEVER -- I WOULD SUBMIT TO YOU THAT OVER THE PAST SEVERAL YEARS WE HAVE SEEN THE GOOD DAYS AND THE GOOD TIMES EVAPORATE ALMOST BEFORE OUR VERY EYES.

FIRST WE WATCHED OUR JOBS GO OVERSEAS --ESPECIALLY TO KOREA, JAPAN AND HONG KONG.

AND -- MORE RECENTLY WE WATCHED AS OUR JOBS LITERALLY FLEW AWAY TO MEXICO.

PLANTS LIKE TRW, EATON CORPORATION, RELIANCE ELECTRIC AND INVACARE HAVE MOVED THOUSANDS OF JOBS FROM THIS AREA.

I DON'T WANT TO BORE YOU WITH A LOT OF STATISTICS -- BUT THE FACT IS THAT MANY OF OUR GREATER CLEVELAND MANUFACTURERS OF SMALL PARTS HAVE MOVED JOBS TO MEXICO.

PARTICULARLY AFFECTED HAVE BEEN OUR AUTOMOBILE WORKERS, ELECTRICAL WORKERS AND MACHINISTS.

SEVERAL RECENT STUDIES HAVE ATTEMPTED TO DETERMINE THE POTENTIAL IMPACT OF THE PASSAGE OF NAFTA ON THE FEW MANUFACTURING PLANTS WE HAVE LEFT. IF THE RECENT "JOBS AT RISK" STUDY CONDUCTED BY THE MANUFACTURING POLICY PROJECT IS CORRECT -- OHIO IS LISTED AS NUMBER 3 ON THE TOP TEN HIT LIST.

THE PROJECTED JOB LOSS IS 324,900. IT IS CONSERVATIVE FOR US TO MAKE AN ASSUMPTION THAT OUR AREA WOULD SUFFER ABOUT 75% OF THE LOSS.

MR. CHAIRMAN, I BELIEVE THERE ARE A FEW THINGS THAT ARE VERY CLEAR TO US. THE WAGES OF THE AVERAGE MEXICAN WORKER IS A MERE FRACTION OF THE AVERAGE WAGE OF A WORKER IN GREATER CLEVELAND -- BE THEY UNION OR NON-UNION.

IT IS ALSO CLEAR THAT THERE ARE NO REAL WORKER PROTECTIONS IN MEXICO. THEIR SO-CALLED UNIONS ARE ACTUALLY ONLY PAWNS OF THE MEXICAN GOVERNMENT.

THEREFORE, WE ASSUME THAT WITHOUT REAL UNIONS THE AVERAGE MEXICAN WAGE WILL REMAIN VERY MUCH THE SAME AS IT IS NOW. IF THIS ASSUMPTION IS CORRECT -- IT WOULD ALSO SEEM VERY CLEAR THAT THE AVERAGE MEXICAN WORKER WILL NOT BE ABLE TO AFFORD TO PURCHASE OUR AMERICAN PRODUCTS.

HOW COULD THEY POSSIBLY AFFORD TO BUY AN AMERICAN CAR? OR REFRIGERATOR? OR WASHING MACHINE?

AND, SINCE MANY OF THEM DO NOT HAVE ELECTRICITY HOW COULD THEY USE ANY TYPE OF ELECTRICAL APPLIANCES?

I COULD GO ON AND ON BUT I WON'T. IT IS OUR CONTENTION, MR. CHAIRMAN, THAT NAFTA WILL NOT CREATE NEW JOBS FOR NORTHEASTERN OHIO -- AND, WE BELIEVE WE WILL LOSE MANY OF THE JOBS WE HAVE AT THE PRESENT TIME.

WE ARE VERY DISAPPOINTED IN THE SIDE AGREEMENTS NEGOTIATED BY THE TRADE TEAM. THEY DO NOT, I BELIEVE, ADDRESS THE REAL ISSUES AND PROVIDE FOR ANY REAL SOLUTIONS.

IN OUR VIEW THIS AGREEMENT IS NOT ABOUT CREATING U.S. JOBS. IT IS NOT ABOUT PROTECTING THE ENVIRONMENT. AND -- IT WON'T DO ANYTHING TO AID THE MEXICAN WORKER.

ON MONDAY A MEMBER OF MY UNION, THE INT'L BROTHERHOOD OF ELECTRICAL WORKERS, TESTIFIED AT A NAFTA RALLY HELD IN CLEVELAND. AFTER SIXTEEN YEARS OF EMPLOYMENT, HER EMPLOYER IS MOVING TO MEXICO. HER JOB WILL END ON OCTOBER 31ST.

THERE GOES HER CHANCE AT THE AMERICAN DREAM. AND -- IF NAFTA PASSES -- SHE WILL BE JOINED BY THOUSANDS OF OTHERS.

I THANK YOU.

## EXCERPTS FROM: "JOBS AT RISK"

INTRODUCTION

One of the principal objectives of the proposed North American Free Trade Agreement (NAFTA) is to stimulate more direct foreign investment in Mexico by providing enhanced investor protections. Even without these additional protections, more than 1,350 U.S.-owned companies have already established more than 2,200 factories in Mexico. Once NAFTA is approved, the pace of capital flows and jobs to Mexico will accelerate. The question, therefore, is which U.S. industries and jobs are vulnerable under NAFTA.

A Rosetta Stone for determining an answer is found in the investment criteria of the AmeriMex Maquiladora Fund. This small fund was established by U.S. and Mexican investors to acquire controlling interests in U.S. manufacturing companies where labor is a significant component of the company's cost of goods sold and then to move all or a portion of the firm's manufacturing operations to Mexico. The Fund prospectus announces that:

It is anticipated that within six to eighteen months after a company has been acquired by the Fund, the designated portion of the company's manufacturing operations will be relocated to Mexico to take advantage of reduced labor costs. We estimate that manufacturing companies that experience fully loaded, gross labor cost of \$US7-\$US10 per hour range in the U.S. may be able to utilize labor in a Mexico maquiladora at fully loaded gross labor cost of \$US10,000-\$US17,000 per employee involved in the relocated manufacturing operations.

\* \* \* \* \*

The principal findings are:

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\* \* \* \* \*

The following analyses applies the AmeriMex criteria to manufacturing establishments in the United States and to each of the 48 continental states:

The principal findings are:

- More than 5.9 million U.S. manufacturing production jobs are vulnerable under NAFTA.
- The 10 states with the most production jobs at risk under NAFTA are:

1. California (747,600)
2. Pennsylvania (349,500)
3. Ohio (323,900)
4. Illinois (305,900)
5. New York (265,900)
6. Michigan (239,500)
7. Texas (226,200)
8. North Carolina (180,000)
9. Wisconsin (178,000)
10. Indiana (177,700)

- More than \$138 billion of annual purchasing power from U.S. production workers is at risk under NAFTA.

## U.S. CORPORATIONS OPERATING IN MEXICO

AKRON

FIRESTONE TIRE  
GOODYEAR TIRE & RUBBER

MYERS TIRE SUPPLY  
GENERAL TIRE

GREATER CLEVELAND

CREATIVE CERAMICS  
VICTOREEN INC.  
WORK-WEAR INC.  
PARKER HANNIFIN CORP.  
PREFORMED LINE PRODUCTS  
LINCOLN ELECTRIC  
DFT LIGHTING, INC.  
GLIDDEN  
ERICO PRODUCTS  
AMERICAN GREETING CORP.  
OHIO MATTRESS  
INVACARE  
TRW  
EVENFLO PRODUCTS  
GENERAL ELECTRIC  
LUBRIZOL CORPORATION  
EAGLE PICHER

RELIANCE ELECTRIC  
WHITE CONSOLIDATED  
MIDLAND-ROSS  
PRYONICS INC.  
EATON CORPORATION  
KIRKWOOD INDUSTRIES  
HARSHAW CHEMICAL  
FERRO CORPORATION  
DIAMOND SHAMROCK CORP.  
CLEVELAND TWIST DRILL  
FORD MOTOR  
GENERAL MOTORS  
HOOVER  
PACKARD ELECTRIC  
SCOTT & FETZER  
BAILEY CONTROLS



STATEMENT OF CALMAN J. COHEN, VICE PRESIDENT, EMERGENCY  
COMMITTEE FOR AMERICAN TRADE, BEFORE THE HOUSE FOREIGN  
AFFAIRS SUBCOMMITTEE ON ECONOMIC POLICY, TRADE AND  
ENVIRONMENT, AND SUBCOMMITTEE ON WESTERN HEMISPHERE  
AFFAIRS HEARING ON THE NORTH AMERICAN FREE TRADE  
AGREEMENT

OCTOBER 21, 1993

Good morning, Mr. Chairman. I am pleased to be here to express the strong support of the Emergency Committee for American Trade -- ECAT -- for the North American Free Trade Agreement (NAFTA).

ECAT is an organization of the leaders of about 60 large U.S. firms with extensive overseas business operations. The annual worldwide sales of the members of ECAT are over \$1 trillion. They employ nearly 5 million persons and they account for a substantial portion of U.S. manufactured exports.

Rather than recite facts and figures about U.S. trade with Mexico that are by now well known to all of us, I would like to present information from two of our member companies who recently testified before the Ways and Means Trade Subcommittee in support of the NAFTA in the hope that such specific information will be of help to members of the Foreign Affairs Subcommittees on Economic Policy, Trade and Environment, and Western Hemisphere Affairs, in deciding whether the merits of NAFTA warrant your respective support.

Before doing so, however, I would like to share a comment of Paul R. Krugman, an MIT economist, with the committee, since it does give a sense of perspective to the NAFTA debate. Professor Krugman said:

"If you think about the fact that what we're essentially doing is talking about a 15-year phase-in of the elimination of a 4 percent tariff on manufactured imports from a country with a gross domestic product 5 percent in size of the United States, it's hard to understand what all the fuss is about."

A worker whose job or a businessman whose business might be at risk, however, would understandably disagree with Professor Krugman. We share their concerns and would urge the availability of adequate public and private support for the productive re-employment of any whose jobs might be put at risk by reason of NAFTA.

Nevertheless, the Krugman quote is pertinent since it does give an order of magnitude to the NAFTA debate. Somewhat over one-half of Mexico's exports to the United States are now duty-free with an average tariff of about 4% applied by

the United States to the remaining dutiable imports from Mexico. In terms of exporting to the U.S. market from Mexico, these tariffs in most cases are not significant impediments. Their phased elimination over the years should provide adequate time for any domestic adjustments that NAFTA might make necessary.

In terms of tariff reductions and their eventual elimination, the United States stands to gain a very substantial net economic benefit since pursuant to NAFTA Mexico will be phasing out tariffs against imports from the United States that average about 10 percent -- tariffs about two and one-half times higher than the U.S. average level. This should provide a substantial economic benefit to U.S. exporters who historically -- for a variety of non-tariff reasons as well as the tariffs - have been shut out from the Mexican market.

In the main, these non-tariff measures in Mexico also are to be either eliminated or liberalized under provisions of NAFTA. Among them are such matters as restrictive investment performance requirements that often require exports to the United States as a condition of investing in Mexico. Absent such restrictions, U.S. businessmen under the NAFTA will be enabled to invest in Mexico, predominantly to serve the Mexican market if they so choose.

A concrete illustration of what can happen when investment performance requirements are relaxed was the recent decision of General Motors to return a production facility from Mexico to Michigan in light of investment liberalization in Mexico.

The NAFTA will have similar effects in respect of the maquiladora operations in Mexico, which are structured to export their products to the United States. With the opening of the Mexican market provided by NAFTA, many of these facilities likely will also produce for the Mexican market thus reducing the export flow to the United States.

Of fundamental significance to the United States is NAFTA's potential for cementing in place an economic environment in Mexico that can lead to rapid and sustained economic growth. As the supplier of 70% of Mexico's imports, the United States stands to reap large gains from Mexican growth. We already have. As Mexico has taken steps to open its economy to the outside world during the past three years, U.S. exports to Mexico have increased by 65%. A U.S. trade deficit with Mexico of \$5 billion has turned into a trade surplus of \$5 billion -- a \$10 billion swing.

We see only economic and political disadvantage flowing from a rejection of the NAFTA by the Congress both to U.S. hemispheric interests and to U.S. economic and political relationships elsewhere in the world. Among other considerations, the international credibility of the United States could well be

damaged since it would signal to our trading partners that the United States is not a reliable negotiating partner.

As I mentioned at the outset, however, I am here today not to argue the macroeconomic aspects of NAFTA but rather to relate how two ECAT member companies will conduct their business operations pursuant to the NAFTA. From our understanding of other ECAT companies, we believe that what the two companies -- Gillette and Procter & Gamble -- expect to do is typical of what other ECAT companies also would do.

Gillette is a global consumer products firm whose major product lines include blades and razors, toiletries and cosmetics, stationery products, Braun electric shavers and small appliances, and Oral-B oral care products.

Headquartered in Boston, Gillette operates 60 manufacturing facilities in 28 countries, and distributes its products in over 200 countries and territories. Gillette's net sales last year totaled \$5.2 billion. Worldwide, it employed approximately 33,500 people.

Gillette has been manufacturing products in Mexico since 1949. With four manufacturing facilities and 2,000 employees in Mexico, most of Gillette's major product lines are made there. Net Gillette sales in Mexico in 1992 were about \$250 million.

The Vice Chairman of Gillette, Joseph E. Mullaney, testified to the House Ways and Means Trade Subcommittee on September 21, that Gillette has no plans to shift manufacturing from the United States to Mexico. In fact, NAFTA will stabilize and probably increase jobs at Gillette in the United States.

As an example, Gillette this year will export about \$4 million worth of its highly successful Sensor shaving system from its South Boston facility to Mexico. The elimination of tariffs on products like Sensor will have a positive effect on Gillette, which will be able to sell more Sensor systems by lowering the price of this product in Mexico or by increasing advertising and promotion. Gillette estimates that, after NAFTA, they could triple their sales of Sensor systems in Mexico in only three years. This will benefit Mexican consumers while generating increased export sales for Gillette. These exports will stabilize and support existing jobs in Boston. This situation will be duplicated when Gillette introduces Sensor for Women into the Mexican market.

Gillette expects the passage of NAFTA to have a favorable impact on the Mexican economy, thus improving results for its business operations in Mexico. This helps to support operations and jobs in the United States. It is a win-win situation - Gillette employees and shareholders benefit, while Mexican consumers and the regional economy will prosper.

As to environmental issues, Gillette offers a good example of the types of environmental improvements in Mexico that could be expected to accelerate if NAFTA were passed. Gillette has researched and implemented many environmental improvements in its production processes. Its corporate policy and practice is to install these improvements in the United States first and then to install them in the company's international facilities, including those in Mexico.

To the best of our knowledge, this is typical of our ECAT members who utilize U.S. environmental standards and requirements on a global basis. They thus do not go abroad in any way to avoid U.S. environmental costs.

Gillette is providing jobs in Mexico and implementing environmentally sound production activities. With the increased trade NAFTA would generate, Mexico will improve its environmental record in two ways, first via the investments of multinationals such as Gillette, and second with its own increased economic resources. NAFTA would thus contribute to environmental improvements in Mexico.

The other ECAT company that testified at the Ways and Means Trade Subcommittee's September 21 hearing on NAFTA was the Procter & Gamble Company. It is a consumer goods company with annual sales of over \$30 billion and with 55,000 employees in North America.

Mexico is now P & G's largest market in the world outside of the U.S. Some of the products currently exported to Mexico include: Pringles potato chips, Tide and Cheer laundry detergents, Ivory and Zest soaps, Comet cleanser, Folgers coffee, Sure and Secret deodorants, Downy fabric softener and Scope mouthwash.

Procter & Gamble supports the NAFTA because it will enable Procter & Gamble to expand its business in and its exports to Mexico. Since that country opened its market in 1986, Procter & Gamble's exports of goods and services have grown from almost nothing to over \$100 million. Exports should approach \$200 million in the next five to ten years. Elimination of Mexican duties will allow Procter & Gamble to supply Mexico a broader range of its products. The result would more than double the 1,500 U.S. jobs currently supplying Procter & Gamble's business in Mexico to approximately 3,500 jobs.

I'd like to share with you an example of one of Procter & Gamble's U.S. products that has benefited greatly from Mexico's more open market. That product is Pringles potato chips. Mexico is a great market for this product. Procter & Gamble began exporting Pringles to Mexico in 1991. By 1994, its Pringles sales to Mexico should exceed \$5 million. Eventually, NAFTA will eliminate Mexico's 20% duty on Pringles which will dramatically expand sales and generate even more U.S.



jobs. Currently Procter & Gamble estimates that the export of just this one brand accounts for about 100 jobs in the U.S.

These new jobs supplying Pringles exports are spread all over the country. Farmers grow the potatoes in Washington, North Dakota and neighboring states. The potatoes are processed into flakes in Rupert, Idaho; Warden, Washington; and Boardman, Oregon. The lids for the cans are made in New Vienna, Ohio and Mt. Vernon, Kentucky. The labels are made in Columbus, Wisconsin. The metal bottom of the can comes from Memphis, Tennessee and the interior liner and membrane from Davenport, Iowa. The corrugated shipping cases originate in Murfreesboro, Tennessee and Herrin, Illinois. Truckers buy their gasoline at stops all along the way before reaching the Procter & Gamble plant in Jackson, Tennessee where Procter & Gamble manufactures the finished product for export to Mexico. As you can see, the manufacture of this one product not only impacts jobs at a larger company like Procter & Gamble, but at many smaller companies in small towns across the United States.

John E. Pepper who is President of Procter & Gamble noted in his September 21 testimony that the average Mexican now spends \$380 per year on U.S. goods and services, more than the average European or the average Korean and almost as much as the average Japanese who earns ten times as much. NAFTA will provide even greater opportunity for the U.S. to supply the Mexican market with its goods and services such as Procter & Gamble's products. Mr. Pepper further noted that if the U.S. doesn't take advantage of the NAFTA opportunity, Japan, Germany, France, Korea, and others will quickly step in and provide the Mexican market with the products it needs.

Mr. Chairman, Procter & Gamble and Gillette are but two concrete examples of what to expect if the NAFTA is approved. There are other examples of what to expect from among our membership. In the automotive area, for example, U.S. auto exports to Mexico are expected to increase from the current level of only 7,700 vehicles to a potential 60,000 vehicles in the first year of NAFTA. Related jobs in the U.S. auto and supplier industries from these increased exports would be about 15,000.

Before concluding, let me call to your attention that several world class provisions in such areas as the protection of intellectual property rights that can serve as models for other international agreements are dependent on the NAFTA. U.S. industries that depend on intellectual property protection account for over \$35 billion in U.S. worldwide exports annually.

In summary, we support the prompt passage of NAFTA. We believe that NAFTA will accelerate the process of improving the environment in Mexico and that the net effect on jobs and on the economy of the United States will be positive. NAFTA can be critically important to the global competitiveness of North America

in the 21st century. It will enable the region to become more competitive, not only with the European Community, but also with a powerful and emerging Asian economic region.

Without the NAFTA, we believe that many of the issues of controversy will be worsened. It is hard, for example, to contemplate how the environment or working standards would be improved with defeat of the NAFTA. It is also difficult to conceive of how U.S. jobs and the U.S. economy would benefit from having poorer neighbors rather than richer ones.

Thank you.

TESTIMONY OF  
PETE WENSTRAND  
PRESIDENT

NATIONAL CORN GROWERS ASSOCIATION

TO THE SUBCOMMITTEES

ON ECONOMIC POLICY, TRADE AND ENVIRONMENT, AND WESTERN  
HEMISPHERE AFFAIRS OF THE COMMITTEE ON FOREIGN AFFAIRS

U.S. HOUSE OF REPRESENTATIVES

OCTOBER 21, 1993

Mr. Chairman and members of the committee, I am Pete Wenstrand, a corn farmer from Essex, Iowa and the President of the National Corn Growers Association. I am also a spokesman for Ag for NAFTA, a coalition of more than 150 farm organizations, businesses and related groups, a list of which I have attached for the record. Ag for NAFTA represents the vast majority of American farmers. I appreciate being asked to testify before the House Foreign Affairs Committee.

The North American Free Trade Agreement comes at a critical time for American agriculture. We are fighting for our export markets which, in many cases -- including corn -- have dropped significantly in recent years. The European Community continues to distort world trade by encouraging the overproduction of commodities and dumping those surpluses on world markets, not only robbing us of our customers but lowering our prices as well. In addition, trade is restricted by European Community member states, Asian nations and even Mexico through tariff and non-tariff barriers. The former Soviet Union has gone from our best cash customer to one that's hanging on by its fingernails. We are seeing our exports continue to spiral down and we must stop that trend. NAFTA is a rallying point for mounting a new export offensive.

As all of you are aware, rural America is suffering from chronic unemployment in a continued sluggish economy. We see boarded-up storefronts, schools and hospitals unable to afford supplies and rural residents moving to cities in hope

of employment. While the plight of our cities gets most of the attention in the news, we in rural America need help too. We do not want handouts, but we need better prices for our commodities so we can afford to buy goods, and we must have more rural jobs. NAFTA can help achieve both of these basic needs.

There is a lot of anti-NAFTA rhetoric being tossed around in the countryside. Many statements are, at best, distortions; at worst, many are flat-out deceptions. It is unfortunate that some leaders of the opposition are resorting to scare tactics. I would be much more comfortable if this debate was based on facts and not fear. For example, many NAFTA opponents state repeatedly that DDT is legal in Mexico and will thus contaminate food exported to the U.S. Well, this is deceiving because while DDT is used in Mexico, it is for a very specific and limited purpose: to fight mosquitoes carrying malaria in the southern part of the country. There are many other examples of tortured logic and falsehood regarding NAFTA. At the same time, we acknowledge many Americans are sincerely nervous about the ramifications of this agreement and they have every right to raise questions. But, I believe the accord is sound. Coupled with the side agreements, NAFTA is a truly historic and valuable trade deal.

Mexico has gone from being a closed economy in 1986 to one that is opening further and further. With this agreement, it will engage in totally free trade with Canada and the United States in fifteen years. The United States went from a \$5.7 billion trade deficit with Mexico to a \$5.7 billion trade surplus since the mid-1980's. This change in trade patterns has created employment in the United States, with some 700,000 jobs directly related to exports to Mexico. Not only will NAFTA lock in this trade situation, protecting these 700,000 jobs, but it will also lay the groundwork that will continue the growth of the United States exports to this dynamic market. U.S. agricultural sales to Mexico have grown from \$1.4 billion in the middle of the last decade to about \$4.0 billion in 1992. Mexico's population, currently at 90 million people, is growing by 2% a year. These people want a better and more stable food supply and the U.S. is poised to answer their call. USDA projects that at the end of the 15 year transition, agricultural sales to Mexico will increase by \$2 billion to \$5 billion. We simply cannot afford to turn our back on a potential \$6.5 billion market.

We desperately need jobs in rural America. NAFTA will help achieve this goal. Mexico is a tremendous market for value-added goods. The National Corn Growers Association has been a leader in promoting the export of value-added agricultural products. Our nation has allowed the European Community to dominate value-added exports and this must stop. Increased demand for value-added goods means



construction jobs to build more processing plants, jobs to process our raw products, jobs to export those value-added products and higher prices for farmers' commodities. Passage of NAFTA will protect those jobs already here as a result of trade with Mexico, and it will create new jobs in rural America.

From the perspective of the U.S. corn grower, Mexico has been a steady market until recently. In the 1989-1991 period, Mexico averaged buying 2.6 million metric tons of corn per year. The 1985-1992 average would be around 2.4 million tons. In the 1989-1990 marketing year Mexico had a bad crop and imported 4.6 million tons. Mexico subsequently increased its corn subsidies, resulting in more production that began a downtrend in corn imports. In the 1990-1991 marketing year, Mexico imported 1.8 million tons and last year just under 1 million. As a result, Mexico -- frequently the number two or three export customer for U.S. corn -- fell out of the top ten. Given the current uncertainties with our export market, the United States needs a positive turn around with our southern neighbor.

Mexico choked off our shipments of corn through an export licensing program. The removal of this barrier was absolutely necessary for us to deem the NAFTA negotiations are a success. The pact before us today would eliminate the export licensing program and replace it with a tariff-rate quota. The initial annual level of duty-free imports would be 2.5 million tons with a compounded growth rate of 3% per year for 15 years. At the end of that period all trade in corn would be unhindered. While one would always hope for immediate free trade when it is of benefit, or for a higher tariff-rate quota, the level negotiated is certainly a substantial improvement over the recent trend. The 2.5 million ton base level would place Mexico back among the top five importers of U.S. corn.

The good news for American corn farmers does not end with more sales of our raw product. Meat exports will also increase dramatically under NAFTA. In the beef industry alone, industry revenues will increase by \$200 million to \$400 million annually under NAFTA. The poultry and pork industries have seen their exports to Mexico rise over the last several years and those trends will continue with NAFTA. Simply put, we need the Mexican market for value-added farm products.

Most of the discussion of NAFTA has been focused on Mexico, but we cannot forget Canada the other major partner in this three-country union: Canada. Despite its relatively low population of 27 million people, Canada is a major power in world trade as the seventh largest free-world economy. Canada is the number one customer for U.S. high-value exports and is the destination of almost 10% of all our

agricultural exports. NCGA opposed the U.S.-Canada Free Trade Agreement because it institutionalized the countervailing duty on U.S. corn. A few years later, the General Agreement on Tariffs and Trade ruled in our favor to eliminate that duty and Canada adhered to the finding. I mention this to illustrate the fact that NCGA does not take these agreements lightly and will fight to assure U.S. interests are protected. We welcomed Canada's entrance into these talks and are excited about the inclusion of our neighbor to the north in the North American Free Trade Agreement.

Creation of the world's largest and richest free trade zone is, in and of itself, good policy. Also, unfortunately, we need NAFTA as insurance against the failure of the Uruguay Round of the GATT. As all of you are painfully aware, GATT continues to be delayed, allowing the European Community continue to dump agricultural products on the world market and lower our prices here in the United States. While I hope the Europeans will begin to negotiate in good faith, I am not willing to bet on that occurring. Therefore, we need NAFTA. We should aggressively move forward in bilateral discussions to build an atmosphere of free trade here in our own hemisphere. The United States is the among the most competitive producers of agricultural products in the world given a level playing field, and trade pacts such as NAFTA will help level that field.

Of course, there are many other reasons one should support NAFTA, involving foreign policy, illegal immigration, environmental practices and more. I will leave those subjects to others. However, I do feel strongly that this agreement is something we need to help turn around our farm exports, spur on the Uruguay Round, increase prices for our farmers and create new jobs for our constituents in rural America.

President Clinton said it best about NAFTA earlier this month: "It's a good deal, and we ought to take it."

Thank you.



# AG for NAFTA

## AG FOR NAFTA MEMBERS

October 7, 1993

Affiliated Rice Milling, Inc.  
 Agway, Inc.  
 Ag Processing, Inc. (AGP)  
 Agricultural Retailers Association  
 Agrigenetics, L.P.  
 Alliance of Western Milk Producers  
 American Bankers Association  
 American Cotton Shippers Association  
 American Farm Bureau Federation  
 American Feed Industry Assn.  
 American Maize-Products Company  
 American Meat Institute  
 American Oat Association  
 American Rice, Inc.  
 American Seed Trade Association  
 American Soybean Association  
 Archer Daniels Midland  
 A.E. Staley Manufacturing Company  
 Beaumont Rice Mills, Inc.  
 Bemis Company, Inc.  
 Blue Diamond Growers  
 Broussard Rice Mill, Inc.  
 Bryan Forwarding Company, Inc.  
 Bunge Corporation  
 Burt Crop Elevator  
 California Rice Industry Assn.  
 Cargill  
 Central Soya  
 Ceres Consulting  
 Chicago Board of Trade  
 Chicago Mercantile Exchange  
 Chocolate Manufacturers Association  
 Co Bank - National Bank for Cooperatives  
 Coastal Rice And Futures, Inc.  
 Continental Grain  
 Collingwood Grain Co.  
 Colorado Cooperative Council, Inc.  
 ConAgra, Inc.  
 Connell Rice and Sugar Co.  
 Cormier Rice Milling Co., Inc.  
 Corn Refiners Association  
 Creed Rice Company, Inc.  
 C F Industries

Dell Rapids Coop Grain  
 Doane Agricultural Services Co.  
 Drexel Chemical Company  
 Dupont Company  
 Ecogen, Inc.  
 Elanco Animal Health  
 Elco International, Inc.  
 Falcon Rice Mill, Inc.  
 Farmers Cooperative Association  
 Farmers Co-op Elevator  
 Farmers Grain & Supply Co.  
 Farmers Grain Terminal, Inc.  
 Farmers' Rice Cooperative  
 Farmers Rice Milling Company, Inc.  
 Farmland Industries, Inc.  
 Food Marketing Institute  
 Froedtert Malt Corporation  
 Futures Industry Association  
 FMC Corporation  
 Great Western Malting Company  
 Grocery Manufacturers of America  
 Growmark  
 Gulf Pacific Rice, Inc.  
 Guthrie Corporation  
 Harvest States Cooperatives  
 Holly Tree Farm  
 Husker Coop  
 Illinois Dept. of Agriculture  
 Inchcape Testing Services / Caleb Brett  
 Incotrade, Inc.  
 International Apple Institute  
 International Dairy Foods Association  
 International Ice Cream Association  
 Iowa Institute of Cooperatives  
 Kansas Cooperative Council  
 KBX, Inc.  
 Land O'Lakes  
 Langston Companies, Inc.  
 Launhoff Grain Company  
 Liberty Rice Mill, Inc.  
 Louis Dreyfus Corp.  
 Maryland Department of Agriculture  
 McDowell Industries, Inc.  
 Meyocks Benkstein Association  
 Mid-American Dairymen, Inc.  
 Mid-America World Trade Center  
 Milk Industry Foundation  
 Millers' National Federation  
 Minnesota Association of Cooperatives  
 Monsanto Agricultural Group



M.E. Franks, Inc.  
 MO-AG Industries, Inc.  
 Nat'l Agricultural Chemicals Asssocation  
 Nat'l-American Wholesale Grocers' Association  
 Nat'l Association of State Departments of Agriculture  
 Nat'l Broiler Council  
 Nat'l Cattlemen's Association  
 Nat'l Cheese Institute  
 Nat'l Confectioners Association  
 Nat'l Cooperative Business Association  
 Nat'l Corn Growers Association  
 Nat'l Cotton Council  
 Nat'l Food Processors Association  
 Nat'l Grain & Feed Association  
 Nat'l Grain Sorghum Producers  
 Nat'l Grain Trade Council  
 Nat'l Grange  
 Nat'l Milk Producers Federation  
 Nat'l Oilseed Processors Association  
 Nat'l Pork Producers Council  
 Nat'l Sunflower Association  
 Nebraska Cooperative Council  
 Nestle USA, Inc.  
 New Cooperative, Inc.  
 Nor-Am Chemical Company  
 North American Export Grain Association  
 Northwest Horticultural Council  
 NC+ Hybrids Inc.  
 Nebraska Cooperative Council  
 Oklahoma Cooperative Council  
 Pacific Northwest Grain and Feed Association  
 Pekin Energy Company  
 Pioneer Hi-bred International  
 Printpack, Inc.  
 Producers Rice Mill, Inc.  
 Purina Mills, Inc.  
 Quaker Oats Company  
 Rain & Hail Insurance Service  
 Ralston Purina Co.  
 Rice Belt Warehouse  
 Rice Growers Association of California  
 Rice Tec, Inc.  
 Riceland Foods, Inc.  
 Riviana Foods, Inc.  
 Smoot Grain Company  
 Sortex-Scancore, Inc.  
 Southern Cotton Oil Co.  
 Southern States Cooperative  
 Sun Diamond Growers  
 Sunwest Milling Company  
 Supreme Rice Mill, Inc.

Sweetner Users Association  
Tabor Grain Company  
Taylor-Cross International  
Terra International, Inc.  
Texas Department of Agriculture  
The Agribusiness Council  
The Agricultural Policy Working Group  
The Corn Coalition  
The Fertilizer Institute  
The Rice Company  
The Rice Millers' Association  
United Egg Association  
United Egg Producers  
U.S. Meat Export Federation  
U.S.A. Poultry and Egg Export Council  
Valent USA  
Washington Apple Commission  
Western Pistachio Association  
Westrade USA, Inc.  
Wetsel Seed Company  
Wilbur-Ellis Company

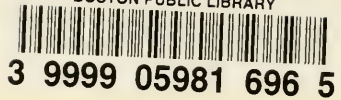
**Testimonial Notes**  
 of  
 Albert C. Black, Jr.  
 President & CEO  
 On-Target Supplies & Logistics  
 and  
 Vice President  
 Business and Economic Development  
 Dallas Black Chamber of Commerce  
 Prepared for the  
 Sub Committee on Economic  
 Policy, Trade & Environment  
 of the House  
 Foreign Affairs Committee  
 Thursday, October 20, 1993

### Testimonial Summary

The gradual elimination of trade barriers that exist between the United States, Mexico, and Canada is essential to the planning, development and success of a North America regional economy that must be created to enable businesses in this region to compete successfully on a global basis.

The proposed North American Free Trade Agreement (NAFTA) is an opportunity for the United States to position itself and become the primary beneficiary in a strategic response to the European Community's planned economy and the fierce competitiveness of the Pacific Rim countries. Over the years, companies in the United States have watched governments in Europe and Asia create and develop synergistic trade agreements that have strengthened their ability to win world market share. NAFTA is the assistance that American companies, large and small need to assume a better role in the world economy. Small and minority business owners across the U.S. should relish in the thought of unrestricted trade in Mexico and Canada. NAFTA will enable small and minority business to access markets that large corporations can access without such an agreement. Because of the vast resources of major corporations, markets can be entered throughout the world. The small and minority enterprise can not afford to remove these barriers. The resources that large corporations are using to circumvent these barriers should be channeled to more productive activities.

While developing a more advantageous position for U.S. companies NAFTA could serve as one of the most humanitarian agreements ever. Free trade with Mexico will improve the standard of living for millions of Mexican citizens that have been victims of an under stimulated economy. I am suggesting that trade, not aid should be the objective of the United States. History tells us we will eventually be involved in one or the other. Business and economic development in Mexico will also work to improve the economies and standard of living of U.S. citizens living in border towns. Poverty, health care, education and crime can be positively addressed by eliminating trade barriers that prevent U.S. capitalism from taking root and producing a higher standard of living for more of Mexico's citizens. A stronger economy will also result in a more stabilized government. As neighbors we have to be concerned with the stability of the Mexican government.



### Minority Business Opportunities

One of the key measurements of any economy is its ability to export. If the African American and other ethnic minority economies in the United States are ever to grow, develop, and produce more real and lasting wealth among a broader range of entrepreneurs we will have to actively pursue a role in the global economy. Being involved in a regional economy is a positive and assuring first step. Across the country African Americans and other ethnic minorities are becoming more concerned with NAFTA. I am confident that as we discuss and debate the issues, the benefits of NAFTA will be crystallized. There is a tremendous amount of opportunity for the assertive company. We plan on being a part of the construction of the buildings, highways, roads, bridges and airports that will be needed to facilitate the trade that will result from NAFTA. We plan on providing goods and services to Mexican and Canadian citizens and governments.

And one of the most encouraging aspects of NAFTA is that as our current corporate clients pursue open markets, we will continue to serve them in newly established venues.

### Education and Technical Training

Most of us can agree that the current education and training of most U.S. students and employees is less than what the global economy requires. NAFTA, as it creates more international opportunities, will enable our public and private schools as well as the country's industrial trainers to understand clearly what it is to participate in a regional and world economy. A greater demand for more technical and international training will cause a greater supply. Businesses will insist on a more skilled work force. Because of NAFTA we have a greater opportunity to re-engineer our educational and training systems to reflect a more productive, efficient, and properly suited economy. Our labor force will have the opportunity to be retrained to provide the skills and services the new economy will need.

### Q & A

### END OF TESTIMONY







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